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CO-OPERATION IN FOREIGN COUNTRIES

[A brief out-line of the working of the co-operative movement of the world]

Coop:17

BY

S. RAJAGOPALAN, B.A.

WITH A FOREWORD BY

J. C. RYAN, M.A., I.A.S.,

Registrar, Co-operative Societies, Madras

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V. S. N. CHARI AND COMPANY

NUNGAMBAKKAM :: MADRAS-6

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Co-operation in Foreign Countries

CONTENTS

		Pages
	Foreward	v
	Preface	vii
	What is Co-operation?	xi
Chapter		
I.	Great Britain	1
II.	Ireland (Eire)	31
III.	Germany	34
IV.	Italy	54
V.	France	68
VI.	Denmark	86
VII.	Soviet Union (U.S.S.R.)	108
VIII.	Other European Countries	
	(1) Sweden	127
	(2) Norway	130
	(3) Finland	132
	(4) Iceland	134
	(5) Holland	135
	(6) Belgium	137
	(7) Switzerland	140
	(8) Spain and Portugal	142
	(9) Austria	143
	(10) Greece	143
	(11) Czechoslavakia	145
	(12) Yugoslavia	147
	(13) Hungary	150
	(14) Bulgaria	152
	(15) Rumania	153
	(16) Poland	153
IX.	Japan	154
X.	China	166
XI.	Other Asian Countries	
	(1) Israel	174
	(2) Cyprus	175

		Pages.
	(3) Turkey	176
	(4) Pakistan	177
	(5) Ceylon	178
	(6) Malaya	180
	(7) Indonesia	180
	(8) Thailand	181
XII.	The United States of America	182
XIII.	Canada	212
XIV.	Other American Countries	
	(1) Mexico	221
	(2) Colombia	222
	(3) Brazil	222
	(4) Peru	223
	(5) Argentina	223
	(6) Venezuela	223
	(7) Chille	223
	(8) Bolivia	224
	(9) Ecuador	224
	(10) Uruguay	224
	(11) San Salvador	224
XV.	African Countries	
	(1) The Union of South Africa ...	225
	(2) British Colonies in Africa ...	227
	(3) French North Africa ...	228
	(4) Egypt	229
	(5) Sudan	230
XVI.	Australia and New Zealand ...	231
	Bibliography	235

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FOREWORD

"Co-operation" is not the monopoly of any one country. It is a method of promoting economic progress and social justice all the world over, each country adopting it according to its own needs and the genius of its people. The author, who has had many years of practical experience in the co-operative field as an official of the Co-operative Department, has brought within the compass of this small book a fund of information relating to many countries where co-operation has flourished. Although intended for the use of students undergoing instruction in co-operation in the B. Com. (Hons.) course of the Madras University, the book will be of considerable value to students of co-operation in other co-operative educational institutes as well as to the general public. In India, which is marching towards a Co-operative Commonwealth, this book ought to serve as a source of inspiration.

62, Harrington Road,
Chetput, Madras,
Dated 8—12—'53.

J. C. RYAN,
Registrar of Co-operative Socities,
Madras.

PREFACE

As Deputy Registrar of Co-operative Societies deputed by the Madras Government to teach co-operation to the B. Com. (Hons.) students of the Madras University, I have had to go through a considerable number of books and publications on co-operation and I feel that the benefit of my study may be usefully made available to the students of co-operation not only in the B. Com. (Hons.) class but also to others in the B. Com. and Economics classes, to the officials of the co-operative Department to prepare for their departmental test and to the vast body of co-operators who should be familiar with the experiences of other countries which have tried to deal with their problems through co-operation, as perhaps some of them are similar to those in India. The book was written while I was actually engaged in teaching co-operation to the students of the B. Com. (Hons.) class and in dealing with the subject I have constantly kept in mind the needs of the students. I must state, however, that it has been written in my individual capacity and that it bears no official authority whatever.

As lecturer, I find that one of the handicaps of the students of co-operation is the absence of a book on co-operation in foreign couutries. Though there are several books on co-operation by eminent authors, there is as yet no compact volume which enables students to have a grasp of the working of co-operatives in other countries. Many of the books on co-operation deal with the movement in a particular country or countries and in most cases the movement has not only undergone thorough changes since the second World War and what is stated therein no longer

exists in those countries, *e.g.*, Japan, Italy and Germany, but also there have been some recent developments in co-opera tion which has been applied to newer activities.

The syllabus in co-operation is wide and even for a diligent student it is impossible to go through several books, reviews, etc., as he will have neither the time nor the facilities and it is much more difficult for an average student to go through them, make an intelligent study and take notes by himself. One has to read carefully selected chapters of books; for no one book is good throughout. Many of the students may not have also an easy access to several of the useful books.

Material for this book has been gathered from several books, journals, reviews and articles in the Year Books of Agricultural Co-operation of the Harace Plunkett Foundation, especially mentioned in the bibliography at the end of the book. I am aware and conscious of the fact that materials gathered from books, journals, etc., however trustworthy they may be, can never be a satisfactory substitute for a book based on personal visit to the countries and study in such an essentially practical subject as co-operation. I hope, however, that this book will afford the beginner an insight into what has been done and what is being done in the Co-operative Movement of other countries, its achievements and failures, and lessons and warnings to India, and serve as a useful guide providing not only a way out of the problem of examinations, but also the advantages of a tourist visiting the several countries in the company of a guide.

After India became a Republic increasing attention is paid to the organisation and development of co-operatives both by the Central and State Governments. Special emphasis has been laid on the proper training of the personel employed or to be employed in the Co-operative Departments and institutions in the several States, and for formulating plans and

for organising and directing arrangements for such training, the Government of India have appointed, in their order No. F. 36-9/53—P. C. III of the Ministry of food and Agriculture, a Central Committee consisting of officials and non-officials The Reserve Bank has nominated the same Committee to work out details regarding the arrangements for the training of the co-operative personnel at higher and intermediate levels. It is hoped that this book will be useful to the students of the centres of training that will be established by the Reserve Bank.

I must express my grateful thanks to Sri J. C. Ryan, M. A., I. A. S., Registrar of co-operative societies, Madras for his kindness in finding time, in spite of other heavy and more important calls on his time, to go through the manuscripts and write the foreword to this book. Sri J. C. Ryan is one of the few co-operative experts in India. He was one of the members of the Indian Co-operative Planning Committee (1946), the Agricultural Finance Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries (Gadgil Committee) and the Rural Banking Enquiry Committee under the chairmanship of Sir Purushotamadas Thakurdas, all appointed by the Government of India. He was one of the members of the Indian Delegation to the Technical meeting on Co-operatives in Asia and the Far East convened by the Food and Agriculture Organisation of the United Nations in October 1949. He was Government of India's representative to the Asian Conference of Technical Experts on Co-operation which met at Karachi in December 1950 under the auspices of the International Labour Office. In 1950 he toured the Far East as Consultant on Co-operation on a two month's assignment with the Rural welfare Division of the food and Agriculture Organisation of the United Nations. He is now a member of the Standing Advisory Committee on Agricultural Credit set up by the Reserve Bank, the Central Committee for training co-operative staff appointed by the Government of India, the Extension Board of the Indian Council of Agricul-

tural Research, the Madras State Co-operative Advisory Council and the Madras State Planning Committee. To receive a foreword from the pen of such an eminent Co-operator as Sri J. C. Ryan is indeed a rare privilege and there can be no greater testimony to the usefulness of this book than his foreword.

Over two decades back I had the unique fortune to be one of his students in co-operation and benefited by his impressive and valuable lectures. I cherish the foreword coming as it does from my revered master to a book written by his humble student.

ERODE
1—8—1954.

THE AUTHOR.

PUBLISHERS' NOTE

What is Co-operation?

The term "Co-operation", in its ordinary sense, means working together. In its special sense, which we are concerned in our present study, it may be described as a special mode of doing business, not in the traditional profit economy sense but in the sense that in such a business persons with common needs associate together to pursue their common interests or achieve their common objects through self-help and mutual help. Co-operation is the basis of the association and the association is worked for the benefit of and controlled by the co-operating members of the association. It differs from the several forms of combinations like trusts, cartels, rings, etc., wherein also persons with common interests or needs associate together to further their common interests or satisfy their common needs, in that unlike the latter the members of a co-operative association do not seek to satisfy their common needs at the price of injury to others or by exploitation.

Co-operation may be described as a synthesis of the elements of several economic systems. It seeks to make the best of these systems and eliminates the many weaknesses and defects found in them. It avoids the extremes to which they go. In some respects, it resembles capitalism and socialism. Like socialism, it seeks to eliminate the glaring evils of capitalism, but unlike it, it is essentially individualistic, safeguards private property without the evils of capitalism, stands for the freedom of the individual and works within the existing economic frame-work. It does not pursue violent methods. It pursues peaceful methods, which though slow are sure and steady. It is neither conservative like capitalism nor radical like socialism or communism, but is a golden mean between the two. It occupies a middle course. Its objects, principles and methods distinguish it

from all other systems. It is the strongest possible barrier against socialism and communism. An ardent co-operator has described co-operation as follows:—" It touches no man's fortunes; it seeks no plunder; it causes no disturbance in society; it gives no trouble to statesmen; it needs enter no secret associations; it contemplates no violence; it subverts no order; it envies no dignity; it expects no gifts nor asks any favour; it keeps no terms with the idle and it will break no faith with the industrious." As the planning commission of India have observed, " the principle of mutual aid, which is the basis of co-operative organisation and the practice of thrift and self-help which sustain it generate a sturdy feeling of self-reliance which is of a basic importance in a democratic way of life. By pooling their experience and knowledge and by helping one another, members of co-operative societies can not only find solutions of individual problems, but also become better citizens."

It is also a new social philosophy. It is often considered as a social reform movement, as its economic aspect is but the means to a richer life and a higher plane of living. Social improvement is its ultimate goal. Horace Plunkett, the famous Irish co-operator has described it as self-help made effective by organisation and that its object is better business, better farming and better living. Better business and better farming are but the means to the ultimate object, namely better living.

It is also considered as a moral movement. The economic success or material progeress cannot be achieved without a strong moral backing. Co-operation calls for character of high value on its members. It aims at inculcating honesty, self-help, mutual help, thrift, comradeship, punctuality, trustworthiness, fair dealing and loyalty and all other virtues necessary in the daily life of an individual. The moral aspect of the movement cannot be better emphasised than in the words of Mahatma Ghandi who said, " The Co-operative Movement will be a blessing to India only to the extent it is a

moral movement strictly directed by men fired with religious fervour."

It is also hailed as adult education in the business of life and not a mere form of econmic business. Apart from the several moral virtues necessary in the daily life of an individual which it inculcates in him, it trains him in self-responsibility, leader ship, community effort and administration and prepares him for political and economic progress of the nation. It creates unconsciously educated and progressive citizens.

It is a living movement and an ever—expanding one. It is extremely adapatable and has embraced multiplicity of forms. It permits of infinite variety. As the Royal Commission on Agriculture in India (1928) have observed,—" there is wide field for the beneficial application of the co-operative principle." It exists and flourishes in countries vastly differing in economic organisation and ideology and serves different groups of population. Its potentialities and importance have been recognised by almost every nation in the world. Several nations have assigned an important place to it in their constitutional charter as an efficacious method of promoting national economy and prosperity. During the second World War and the period of reconstruction which followed it, co-operation has acquired greater importance and significance. It plays a prominent part in the reconstruction of countries devastated by the War. The Food and Agriculture Organisation of the United Nations Organisation and the International Labour Office are keenly interested in the organisation and development of the movement throughout the world.

We cannot better conclude this short note than in the words of the Royal Commission on Agriculture in India who have stated—" We have great hopes that many millions of peasant proprietors may be led to a better life through a sound co-operative movement ; if this is secured, much else is brought within the bounds of attainment. If co-operation fails, there will fail the best hope of rural India". As observed by ehe Planning Commission of India, " the co-operative

form of organisation can no longer be treated as only a species within a private sector." It is an indispensable instrument for the "democratization of economic planning." * In carrying out its plans, the state will wish to enlist the goodwill of the sections of the Community for and through whom planning has to be undertaken. In this task, it can derive considerable assistance from a body organized for a definite purpose and designed to carry out effectively this work of education and the awakening of a live interest in schemes of social and economic betterment. The co-operative society will study the implications of the plan and explain them to the individuals who constitute its membership. By making the plan popular, it will better create the atmosphere needed for its execution voluntarily."

PUBLISHERS.

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* Report of the Co-operative Planning Committee of India (1946).

CO-OPERATION IN FOREIGN COUNTRIES

CHAPTER I

GREAT BRITAIN

The Industrial Revolution :—The Industrial Revolution in Great Britain and its results have a bearing on the origin of the co-operative movement in Great Britain, as the co-operative movement, as an organised movement, made its first appearance in England as a result, to a large extent, of the Industrial Revolution. Co-operation was the product of the economic and social conditions created by the Industrial Revolution. It was devised as a solution of the problems of the working classes raised by the evils of the Industrial Revolution.

It can roughly be said that the Industrial Revolution began about the middle of the eighteenth century. Just about this time there were marked changes in the economic conditions of the people owing to a series of changes in agricultural, industrial and social conditions. In agriculture, the manorial system and the common field system associated with it gradually disappeared. Owners of lands enclosed open fields with fences and adopted improved methods of cultivation by the application of manures, improved seeds and improved agricultural implements. Tenants who rendered service to the manorial lord in return for the right to use their strips of land in the common field system were displaced. The interests of the tenants and small cultivators were severely affected and they flocked to towns to seek employment in the new industries which were springing up.

In industry, there were a series of inventions such as smelting iron with coal, introduction of fly shuttle in the textile industry, the use of steam power for working machines, etc. The handloom was gradually replaced by the powerloom. The textile industry, which was once a domestic industry, became a factory industry. A number of mills and factories appeared in the countryside and

outside labour was imported to supplement local labour. New towns and workers' colonies sprang up. The increase in productions led to the problems of finding a market for them and transporting them to the different parts of the country and the world. There were therefore establishment of markets, development of banking system and revolution in transports. Quick transports like the railways and steam ships were invented and they made the whole world one market.

Some results of the Industrial Revolution :—The Industrial Revolution brought prosperity to Britain. It made her the workshop of the world and the richest country in the world. But it was not without bad effects. Wealth became badly distributed. While the industrialists made large fortunes, poverty and distress increased among the working classes. Owing to fluctuations in the foreign markets, which Great Britain depended for disposing of its productions, employment for workers became unsteady and there was widespread unemployment. Those who got employment got scanty wages. The workers were helpless. The Combination Laws of 1799 and 1800 prevented them from acting in a body to improve their conditions. Economists propounded ideas of individualism and the Government pursued a policy of "Laissez Faire." It was therefore from the working classes themselves there sprang up not only protests but also attempts to remedy the evils which oppressed them. There were many reform movements, the most important of them being the friendly society, the trade union, the chartist and co-operative movements. In the early stages there was a close contact among them, as they all represented efforts by the working classes and almost the same leaders took part in all of them. The misery of the working classes also drew the attention of philanthrapists who made attempts to assist the poor by the purchase of food and other necessaries in bulk and supplying them at cost price. These charitable efforts had considerable influence in turning people's thoughts to the possibility of doing for themselves what had been done for them by others. As a result, there appeared a number of friendly societies. In 1793 the Friendly Societies Act was passed. The acti-

vities of the friendly societies were different from those of charitable efforts, as the initiative in the former came from those who were suffering from high prices. Some of them were nearer a consumers' society. The Friendly Societies Act is of importance in the study of the co-operative movement, as its amendment in 1834 was taken advantage of for registration by early co-operative societies which then went by the name of "mutual trading societies".

Robert Owen and the early Co-operative Movement:— The early co-operative experiments took the form first of co-operative colonies or communities and later of co-operative trading associations and labour exchanges. The philanthrapists and leaders of working classes realised that any improvement in the conditions of the working classes should come from themselves rather than from the richer classes or the State, and that instead of the friendly societies whose function was mostly relief of the sick, unemployed, etc., there should be self-help organisations with economic activities. They regarded the economic strengthening of the weak was the most important need of the time. Of these ardent prophets of the slowly awakening co-operative movement, Robert Owen and Dr. William King were leading figures.

Robert Owen (1771-1858), who was the son of a small shop-keeper in Wales became at a very early age the managing director of the New Lanark Mills and a leading manufacturer. He was struck by the misery of the working classes and attempted at ameliorating their condition. In his own mills he reduced the hours of labour from seventeen to ten, refused to employ children under ten years of age and made provision for comfortable quarters for the workers, for their food at reasonable prices and for the education of their children. He propounded a scheme of organised self-help for the relief of the working classes. He suggested the formation of co-operative colonies or communities. In an individualistic age he propounded the idea of association and the word "Co-operation" for "competition." He contemplated the use of co-operation for a higher object than a mere shop-keeping by a consumers' co-operative stores. He thought of a larger

experiment in co-operative communities. His idea was to collect sufficient capital, acquire land and gather together a band of colonists who were willing to settle on the land and organise their common life on co-operative principles, that is to say, to have a common kitchen, mess rooms, etc. The co-operative colony was to produce, in common, what was needed for the consumption of its members or for exchange with other colonies in order to procure such goods as it did not make itself. The Ralahine Community in Ireland, the Queenswood Community in England and a few other communities were started with his influence. But none of them succeeded for long. Want of adequate capital, inclusion of non-working colonists and lack of proper selection of colonists with agricultural or industrial experience contributed to the failure of the co-operative communities.

Owen was not discouraged by these failures. He realised the economic value of human labour and initiated in 1832 his first labour exchange which we will deal with later. He wrote a number of books and founded a number of journals, though short-lived, to explain his ideas to the people.

Though Robert Owen was an utopian in his schemes, the principles embodied in them set people's minds on the track of co-operation and inspired the co-operative move ment. He created an atmosphere favourable for the organisation and development of the movement. He was, however, not a believer in democracy and maintained that co-operatives must develop under the paternal care of the wise and those who understood the needs of the people. He thought that the working classes were incapable of managing their affairs themselves. Still the credit goes to him for inventing the word "Co-operation" as against "Competition", and popularising it. He has rightly, therefore, earned the title of the "Father of Co-operation" and the founder of the modern Co-operative movement.

Trading associations:—Though the Co-operative Communities failed, the ideals embodied in them became popular among working-men. Others who were thinking along the same lines as Owen ventured on less ambitious organisa-

tions. Dr. William King, a London physician, thought of small beginnings and suggested co-operative trading associations which would gather common capital, invest it in trade with the ultimate object of purchasing land and living in community. He was more democratic than Owen. He published a monthly paper, "The Co-operator", in which he put forth his ideas. Several distributive societies, known as trading associations came into existence. They sold the daily needs of members. Soon they embarked on production as well so as to find an employment for their surplus capital, to reduce the price of articles required by the members and to provide employment to those members who are producers. But as they produced more than what was needed by their members, so as to keep the members constantly employed, they were faced with the problem of marketing their productions. In 1831 the North of England Limited Company was established so that through this company the several trading associations could have a system of exchanging surplus productions. The company, however, collapsed in a year.

Equitable Labour Exchanges:—It was just about this time, in 1832, that Owen initiated his first "Labour Exchange" in London. Soon more exchanges appeared. *In the words of Miss Margaret Digby, they were "in the nature of a continuous 'bring and buy' bazaars at which all articles were exchanged against 'labour notes' representing an estimate of the value of the labour which had gone to their (articles) production". The labour exchanges, at first, chiefly interested such people as trade unionists who had to contend with unemployment. Unemployed workmen of different trades were in need of one another's products and the labour exchanges were the means of setting them to work supplying each other's wants. The workmen deposited in the exchange the goods produced by them and drew from it other goods to an equal value. The exchange charged a small fee for its services. The worker usually got labour notes (paper currency) representing the value of articles deposited by him in the exchange. With the labour notes, he purchased such

* The World Co-operative Movement by Miss M. Digby.

articles from the general stock as he required. Later, trading associations too turned to the exchange bazaar for disposing of their surplus productions. The exchanges were dealing with trading associations as well as individual workmen. Gradually, however, they lost their importance and disappeared in a few years, when they were glutted with inferior and badly made articles. The trading associations which were nearer a co-operative stores and a workers' society, also failed soon for more reasons than one.

Handicaps of the early Co-operative Movement :—The handicaps under which the early Co-operative Movement suffered may be summarised as follows :—

(*i*) Members of societies lacked education and could not stand together for long and give their loyal support to the societies. They evinced no interest in the affairs of their societies and failed to attend meetings.

(*ii*) There was no suitable legal protection to societies. They could not register themselves under the Friendly Societies Act, as trading with non-members was not allowed.

(*iii*) The societies lacked competent business management and audit.

(*iv*) Division of profit was commonly according to capital holdings and not according to purchases.

The Rochdale Pioneers :—By 1840 the distress of the working class became intense. The workers were in desperate straits. Wages were very low and prices were relatively too high. The quality of goods was very bad. The period of a decade following 1840 came to be known in history as the "hungry forties". It was during this period that the foundations of the standardised modern co-operative movement were laid at Rochdale in England. In Rochdale, as elsewhere, co-operation was born of the distress of the people. The condition of the weavers at Rochdale was very bad. Twentyeight brave men of Rochdale, after considerable thinking, evolved their practical scheme of self-help to start their small store in

Toad Lane. A majority of them were flannel weavers. The store commenced on 21st December 1844, in the face of the jeerings of the residents of the place, with a humble working capital of £14 contributed by the promoters and a stock of five commodities, namely butter, sugar, flour, oat meal and candle. It is said that the pioneers decided to commence with the first four articles only, but later, as they found that candles would be necessary to light their shop, they included candle also to the list of articles purchased. The shop opened only in the evenings and one of the pioneers acted as a salesman. They received no outside aid. They were not discouraged by the jeerings of the public. They remained steadfast and loyal to their new store and the store made a slow but sure progress. Especially the women could not be diverted from the store by the allurements of private traders. It is told that they walked long distances to carry home their meagre purchases or sometimes to be told that there was no stock. The successful working of this Rochdale store spread up and a number of new stores on its model sprang up in the neighbourhood.

*"The Rochdale weavers called themselves equitable pioneers, because they did not content themselves with seeking from co-operation an increase in comfort to the poorer classes. * * * * They sought to find in it an economic transformation, not only in the sphere of exchange, but also in that of production and the division of wealth. * * * * They also sought to find in co-operation an equitable division of wealth, enabling the consumers to keep for themselves all gains of the enterprise."

For the benefit of the smaller societies, the Rochdale society opened a wholesale department in 1850. In the same year, the members established the Rochdale Corn Mill which supplied flour to Rochdale and other societies. In 1854 the Rochdale Co-operative Manufacturing Society —a spinning mill—was established of which Rochdale Pioneers' Society was a share-holder. It is said that the Pioneers named the two engines in the mill as "Co-operation" and "Perseverence."

* Consumers' Co-operative Societies by Prof. C. Gide.

Though the Rochdale Pioneers were not pioneers of co-operative effort, they were the pioneers of the standardised modern co-operative movement. They were the first to establish and conduct a store on just the right co-operative lines to prove successful and enduring. Their society was the founding of a great tradition. It was the beginning of the standardised co-operative movement. It became the educational centre from which "Co-operation" radiated throughout the world. The methods and ideals of the pioneers remain largely and essentially the methods and ideals of the modern co-operative movement.

The objects and methods of the Pioneers:—In the words of the Pioneers themselves—"The objects and plans of the society are to form arrangements for the pecuniary benefit and improvement of the society and the domestic condition of its members by raising a sufficient capital in shares of one pound each, to bring into operation the following plans and arrangements:—

(1) the establishment of a store for the sale of provisions, clothing, etc;

(2) the building, purchasing or erecting a number of houses in which those members desiring to assist each other in improving their domestic and social condition may reside;

(3) to commence the manufacture of such articles as the society may determine upon, for the employment of such members as may be without employment or who may be suffering in consequence of repeated reductions in their wages;

(4) as a further benefit and security to the members of the society, the society shall purchase or rent an estate or estates of land, which shall be cultivated by the members who may be out of employment or whose labour may be badly remunerated;

(5) that as soon as practicable, this society shall proceed to arrange the powers of production, distribution, education and Government, or in other words to establish a self-supporting home colony of united interests or assist other societies in establishing such colonies; and

(6) that for the promotion of the society, a temperance hotel be opened in one of the Society's houses, as soon as convenient."

The Principles of the Rochdale Society:—The following were the essential principles of the Rochdale Pioneers' Society :—

(1) Democratic control : Each member should have one vote only in the affairs of the society, irrespective of his investment in the share capital :

(2) Open membership : Any one can join the society and shall have the same rights and privileges of the original members ;

(3) Fixed or limited interest on capital invested in the society : The dividend on share capital is restricted to a fixed rate ;

(4) Sale of goods at prevailing local prices and distribution of the surplus among members, at the end of the year, (after meeting all charges, providing for depreciation on assets and for reserves and after paying interest on capital) in proportion to their purchases during the year ; this is a novel idea invented by the leader of the Pioneers, Charles Howarth, whom one of his biographers discribed as the "Archimedes of Co-operation" ;

(5) Cash sales : No credit shall be allowed and all sales shall be on cash basis ;

(6) Sale of pure and unadulterated goods ;

(7) Education of the members in co-operative principles and mutual trading; and

(8) Political and religious neutrality.

The Pioneers also declared that both sexes shall have equality in membership rights, regular meetings shall be held for discussion of the society's business and receiving suggestions for improving the society's welfare, and accounts shall be properly kept and audited and balance-sheets regularly presented to members.

"Sales to members" is also frequently quoted as one of the Rochdale principles. But the Rochdale society itself

did not confine its sales to members only. It sold to the public, but in order to avoid the charge of exploitation of the public, it devised a method of giving non-members, who bought from it, a bonus on purchases at half the rate of bonus given to members and carried the other half to the reserve fund, thereby making a distinction between members and non-members. It is argued that sales to non-members serve as a propaganda and means of attracting members and that it has been adopted not with a view to make profit, but to convert an indifferent non-member into a member. *Dr. C. R. Fay justifies sales to the general public on the grounds that "total co-operation is false and futile" and that if the co-operative societies "were debarred by law or rule from trading with non-members, the co-operative membership would be smaller" than what it is.

He adds that "nearly all the trade", however, is with members. He says that sales to the general public is also necessary for the reason that the movement which has a known membership has not a guaranteed market and that even "as Schulze-Delitzsch and Raiffeisen found a way of mobilising credit-worthiness, so the Rochdale Pioneers found a way of mobilising purchasing power." According to him partial co-operation in co-operatives helps the co-operatives to grow from strength to strength.

†Prof. G. D. H. Cole says that with a view to define the co-operative principles for membership of the International Co-operative Alliance, the 1937 Congress of the Alliance considered a report of a special committee set up for the purpose but could not find "a fully satisfactory way of defining their application to societies of radically different types from the ordinary consumers' stores." The committee reported the following as the Rochdale principles, viz., open membership; democratic control; distribution of the surplus to members in proportion to their transactions; limited interest on capital; political and religious neutrality; cash trading; and promotion of education but recommended that only the first four of these

* Co-operation at Home and Abroad by Dr. C. R. Fay.
† Century of Co-operation by Prof. G. D. H. Cole.

seven principles need be insisted on as a condition of membership of the I. C. A. Even the first four principles were not strictly regarded as a condition of membership of the I. C. A. except in relation to consumers' societies.

Though the Rochdale principles have not been completely applied, perhaps in any country, to the co-operatives, the three principles—sale at market price, cash sales and distribution of surplus to members in porportion to their purchases—became almost universal in consumers' societies.

The Christian Socialists and the Self-governing Workshops:—The early co-operative movement in England received an impulse from a group of reformers known as the Christian Socialists. They felt that the existing state of society in which individualism was prominent was opposed to the teachings of Christianity and that the churches should be roused to a sense of their social responsibilities. Their leaders were the Church of England clergymen like Maurice and Kingsely and barristers like Neele, Hughes and Ludlow. The Christian Socialist movement owed its origin to the last mentioned gentleman, John Malcolm Forbes Ludlow who was brought up in France and derived inspiration from French Socialism. The leaders of this new movement told the public that property was only a trust from God to be administered in the interest of all, that men have duties to their fellowmen and not merely to their families and that all, of whatever class, have an equal right to culture and self-development. The movement lasted only for about seven years from 1848 to 1854, but during this short period it had effected a vast change in the attitude of the public to the concept of co-operation. They encouraged the formation of working-men's associations through the Society for Promoting Working-men's Associations, which they established in 1850. These associations, which were also known as self-governing workshops, were constituted on the plan that the workers only should be members of the associations, that they should regulate their affairs themselves and that they should enjoy the net profits of their industry, after contribution to a central fund to be employed for common purposes. Most of the

associations began with loans from the society mentioned above. All the work was done in the premises of the associations. By 1852 there were several self-governing workshops and it was realised that an association could not begin and end with production, but must undertake sale of the goods produced. This led to the establishment of the Central Co-operative Agency which functioned as an agency to market the productions of the associations and to supply their requirements. It progressed well and built up considerable trade, but in 1853 it collapsed owing to a rather too ambitious venture of moving into new premises which proved too large and expensive for its business. The associations too gradually failed one by one, as there was quarrelling and want of discipline among members. The members as well as those in charge of management also lacked experience in co-operation and fidelity to the co-operative principles. Many of the associations either failed and were wound up or became capitalistic enterprises or were taken up by large consumers' societies.

The Christian Socialists' contribution to the Co-operative Movement:—During the short period of seven years of their active working the Christian Socialists' contribution to the co-operative movement was great. (1) First and foremost they secured for the movement a separate co-operative law and removed the legal handicaps to co-operative progress. The necessity for a separate co-operative law became more apparent when productive societies or self-governing workshops were started. For if they registered themselves under the Friendly Societies Act, their business activity would be severely limited by the ban against selling their products to non-members. If they registered themselves under the Companies Act, they had the risk of losing their co-operative character. The Christian Socialists, among whom were barristers, drafted the first co-operative law and through their friends in Parliament secured the passing of the Industrial and Provident Societies Act, 1852. The field of early co-operators was industrial and urban area. It was an industrial and provident movement and probably because of these factors, the first co-operative law came to be called the

Industrial and Provident Societies Act. Ludlow took a leading part in the drafting of the law and getting it passed by the Parliament. He became the first Registrar under the Industrial and Provident Societies Act and the Friendly societies Act. (2) The Christian socialists also left behind individuals who were helpers of co-operation for many years later. Neele, one of their leaders, later became the secretary of the Co-operative Union, Manchester. (3) Their experiments with self-governing workshop provided co-operators in the last quarter of the nineteenth century examples of what to avoid in co-operative production. (4) In 1854 they established the Working-men's College with the object of educating and training the working classes. This College is still carrying on successfully.

Brief history and progress of the British Co-operative Movement:—The modern co-operative movement began in England with the establishment of the Rochdale Pioneers' Co-operative Society in 1844. The success of this society spread throughout the country and many societies on its lines sprang up. They came to be known as retail distributive societies. The co-operative store is now a familiar figure in almost every town and in many villages. Though the co-operative movement of today contains other types of societies than consumers' stores, it is predominantly a consumers' movement. It has grown tremendously and accomplished great things. It is the heart of the co-operative business. The co-operative movement has now more than ten million members of whom over nine million are members of the retail distributive societies. The consumers' societies account for annual sales of over £352 millions. The consumers' movement occupies a leading place not only in the co-operative movement of Great Britain, but of the whole world, perhaps with the excaption of the U. S. S. R. The rest of the movement consists of a few industrial co-operatives and agricultural co-operatives, the latter rendering a variety of services to the farmers. These societies are dealt with in detail under separate heads.

Co-operative credit which forms a large part of the co-operative movement in sevral countries is practically absent in Great Britain. *Dr. Fay says—"The structure of the English land system prevented agriculture from growing around co-operative credit. For tenant farmers had no need of mortgage credit, and being in general substantial farmers, they were not in humiliating bondage to the money-lender or trader." When depression set in after the first World War and the farmers became indebted to traders and dealers in agricultural supplies, a number of societies for agricultural supply came into existence. As regards urban credit, except for building societies which make loans for building houses, there are no other credit organisations. In her book, the World Co-operative Movement, Miss Margaret Digby says—"The problem of indebtedness and the scandal of the money-lender continues in Britain and is a considerable source of social evil. Credit Unions might be sponsored by the consumers' co-operative movement, by the war savings organisation, or by the two acting in conjunction. So far no move has been made by either."

The Co-operative Law:—The Co-operative Law of Great Britain is the Industrial and Provident Societies Act, 1893, which has been subsequently amended several times. Every co-operative society must be registered under this Act. The use of the words, "Co-operation" and "Co-operative" is limited to societies registered under this Act. The Act provides only a legal framework for co-operatives and a general outline as to how a co-operative should be run, leaving details to the rules to be framed by co-operatives themselves. The minimum membership for a co-operative is seven. Applications for registration of societies are dealt with by the Registrar appointd under the Act. For the convenience of societies, model rules have been framed and approved by the Registrar. The rules and the amendments to rules must also be registered by the Registrar. The signatories of the application for registration of the society constitute the first executive committee until such time as the general meeting of all members elects a

* Co-operation at Home and Abroad by Dr. C. R. Fay.

committee. The general meeting is required to elect a committee within one year of the registration of the society. The committee appoints the necessary paid staff including the manager and the secretary. It meets frequently and attends to the affairs of the society. Sometimes sub-committees are constituted for special activities or branches of business undertaken by the society. The maximum share-holding of a member in the society is restricted to £ 500. The accounts of every society must be audited by a public auditor included in the list of public auditors approved by the State. The auditor is chosen at the general meeting, which is held at least once a year, and the audited balance-sheet is also considered at the meeting. Once a year all societies must send a return containing financial and membership particulars to the Registrar. Any one can inspect these returns in the Registrar's office on payment of half a crown. The societies are fully autonomous bodies. The Registrar collects returns, scrutinises rules of new societies and the changes in the rules of other societies, registers societies, and attends to amalgamation and liquidation of societies. He rarely interferes with the working of societies so long as they work according to law and their rules. Societies have adopted limited liability, the only form of liability permitted by the law.

Consumers' Co-operation—Retail Distributive Societies:—As has been stated earlier, the co-operative movement of Great Britain is practically the consumers' movement. The retail distributive societies occupy a predominant position.

The value of a share in a retail society society is generally £1 and membership is open to all. The share capital is withdrawable at a few days' notice. The usual rate of interest paid on share capital is 3½ per cent per annum.

The control of the society vests with members. Meetings are held each quarter and the affairs of the society discussed. At the annual general meeting directors are elected. In some societies directors retire by rotation each year so as to have continuity of management and the annual general meeting elects only a part of the

committee. Societies usually have several sub-committees for the different branches of their business. Larger societies have, in addition to the managing committee, an education committee for propaganda and promoting members' loyalty to the societies. The directors are paid out-of-pocket expenses only. Only in two large societies there are full time paid directors. The committee appoints a business manager and branch managers as well as the necessary subordinate staff. In some societies a secretary also is appointed to attend to the secretarial work while the manager attends to the business of trade. Employees are permitted to become members of societies and vote at meetings. In several societies they have been elected to managing committees also.

Sales are made to members as well as to non-members. Non-members are persuaded to take up a nominal share of a shilling and it is built up to £1 by the accumulated dividend on their purchases. Until the share becomes fully paid up, they are not allowed to vote at meetings and the dividend on purchases is not paid in cash.

Credit sales are allowed in the case of certain goods. For milk, bread and other articles delivered at the doors of members, weekly account is permitted, that is, credit sales are paid for once a week. In the case of expensive articles like furniture or other household furnishings, a system of hire purchases is allowed. Yet cne more kind of credit sales is the "mutuality club", in which members undertake to make contributions of a fixed amount for a fixed period every week, fortnight or month and after the payment of contributions for a few weeks, fortnights or months, they are allowed to make purchases for the amount undertaken to contribute to the club. This system of credit sales is usually prevalent in clothing.

Sales are made at local prices and the profits are distributed as dividend on purchases, after meeting all charges, allowing depreciation on assets, creating reserves and payment of interest on capital. A recent development is the "national memership scheme" which provides for payment of dividend on purchases made by a member of a co-operative from other co-operatives. Under this

scheme, members of a co-operative may make purchases from other societies in addition to their own and receive dividend on all such purchases so that co-operators who are away from home are not deprived of the advantages of shopping at the co-operative. Though this system involves elaborate accounting, m ny societies have accepted it.

Retail societies have ample capital which comprises share capital of members, deposits received from members and reserves. It is said that societies generally employ about 40 per cent of their capital only in business and invest the balance in the C. W. S. Ltd.

Retail societies are not generally single shops. Many of them have a central store and a large number of branches either in the different parts of a large city or in the surrounding villages. The central store is usually a department store, that is, it has a number of departments such as grocery, meat, furnishing, clothing, fancy goods etc. Branches generally deal in groceries, bread and drapery. Nearly three-fourths of the trade of retail societies are in food stuffs of which groceries and bread form over 60 per cent. About 13 per cent of the trade is in clothing and footwear and the rest in miscellaneous items including services. After II World War, new residential areas have sprung up and in most such areas co-operative service, through mobile shops, is taken to the doors of the residents.

Retail societies are not mere shop-keepers. They have undertaken processing and productive activities as well as services to their members. They have their own bakeries, pasteurising plants etc. A few larger societies have jam factories. For such activities as laundries, bakeries, coal distribution, funeral furnishing, sale of drugs, hotels, boot repairs etc., societies have grouped themselves into federal societies for economic reasons. Many societies have undertaken electrical vacuum chimney sweeping service and do a clean handling of a dirty job. The societies are alive to the demands created by the changing social conditions and many of them have been dealing in cooked and packed food. They are paying increasing attention to the display of their goods. In many stores the system of

self-service is becoming common. Societies handle a large variety of articles and their slogan is everything from "cradle to grave." Most of them have the building society agency and the C. W. S. Bank agency. The C. W. S. has been making advances, up to 75 per cent of the certified value, for house-building, to members of retail societies. The retail societies have also instituted savings bank department and "penny banks", besides functioning as an agent of the C. W. S. Bank. In co-operation with the co-operative Insurance Society, they have been working a scheme of "group insurance benefits" or collective life insurance which brings custom to both. Under this scheme, a retail society pays a premium which provides benefits to the wife or husband of a deceased member in proportion to the member's average annual purchases from the society in the three years preceding his or her death. This Insurance is financed by a premium charge of one penny a year per pound of retail purchases made by members of the stores. In other words, every purchasing member of insured societies is insured without the payment of any premium by the member. The societies insure their whole membership. There is no medical examination of the members. This system promotes loyalty to the societies and increased business both for the retail societies and the Insurance Society.

The following is the list of articles handled by a typical country store with just over 2000 members.

(*i*) *Departments and branches*:—Grocery, meat, ladies,' department, men's shop, furnishing, hardware, confectionery, tobacco, cafe, fish (wet and dried), pharmacy, stationery and fancy goods, bakery, coal wharf and mobile green-grocery (vegetable) shop.

(*ii*) *Services*:—Catering for parties, travel agency, taxi-hire, laundry, funeral furnishing, optical, building society agency, safe deposit and C. W. S. Bank agency.

Societies in larger towns and cities have dairy, jewellery, sports, fashion salon, footwear, soft furnishings,

carpets, and linos, toys, dry cleaning, chiropody, books and lending library, etc.

The London Society is the largest retail society in Great Britain with nearly 800,000 members and is twice as large as the society coming next, the Arsenal Society which is also in London and which has a membership of over 300,000. Birmingham Society and the South Suburban Society (London) have each over 200,000 members. These large societies have area or sectional general meetings at which the same resolutions are put forward, and decisions arrived at by adding up all the votes cast at all the areas or sectional meetings at a final central meeting with the votes cast at the central meeting itself.

The Co-operative Wholesale Society, Ltd. (C.W.S.):— As more and more retail societies came into existence, they were faced with the difficulty of obtaining the growing ranges of commodities demanded by their members. The private manufacturers and suppliers either boycotted the retail societies or exploited them. Moreover, societies in their anxiety to get supplies from private trade bid against each other. The idea of wholesale co-operation was already there. The Central Co-operative Agency organised by the self-governing workshops had demonstrated how it could function as a source of supply of the articles required by consumers' stores. The Rochdale Pioneers had also opened a wholesale department for the benefit of smaller societies in their neighbourhood. The consumers' societies, therefore, realised that their next step should be to enter the wholesale markets and fight the wholesalers on equal terms. But the scope of the Industrial and Provident Societies Act, 1852 did not allow the establishment of wholesale societies, as under this Act no society could become a share-holder of another. After persistent attempts, an amending Act was passed in 1862 permitting societies and individuals to invest in the shares of a wholesale society. In 1863, the North of England Co-operative Wholesale Industrial and Provident Society Ltd., was registered with individuals and societies as members and with its headquarters at Manchester. At the outset the wholesale society was passing on goods to societies at

cost price plus a commission to cover costs. Both the English and Scottish societies joined the wholesale society in its early days. As the Scottish societies experienced difficulties of transport, they desired the opening of a branch of the wholesale society in Scotland. When this request was not complied with, the Scottish societies established their own separate Scottish Co-operative Wholesale Society, Ltd., in 1868. Thereafter the North of England Co-operative Wholesale Industrial and Provident Society, Ltd., changed its name into The Co-operative Wholesale Society, Ltd.

The Co-operative Wholesale Society, Ltd., familiarly known as the C. W. S., Ltd., is one of the oldest, largest and most famous of co-operative societies in the world. It has, as its members, co-operative societies and companies approved by members. The retail societies are in a majority. *Its membership "consists of 809 retail consumers' societies, 95 agricultural, 72 federal and special and 38 overseas societies." The delegates of societies form the general meeting and meet once a quarter. The meeting is held in sections or areas and a final central meeting at the head-quarters of the C. W. S., on the lines of such meetings in large retail societies mentioned earlier. The volume of trade is the basis to determine the number of votes a society can have. At present, every society has a vote by virtue of membership, one vote for the first £10,000 of its purchases during the preceeding twelve months and one vote for each complete £20,000 of purchases beyond that amount. Voting by proxy is allowed. Postal voting is allowed in the case of election of auditors and directors. The directors hold office for a term of four years and can stand for re-election. They are wholetime officers and receive salaries. There are three main committees for finance, grocery and drapery and a number of sub-committees. The strength of the Board is twentyeight and it consists of†"experienced men who have made their way in the movement as officials or committee-men of retail societies. Once elected, they are by the spirit of the constitution nearly always re-elected."

*The World Co-operative Movement by Miss Margaret Digby.

†Co-operation at Home and Abroad by Dr. C. R. Fay.

Meetings of the board are held in turns at Manchester, London and Newcastle, where the C. W. S. has its offices.

The C. W. S. functions as wholesaler, manufacturer and banker for the co-operative societies in England. Since Great Britain depends, to a large extent, upon food imports, a high proportion of the produce handled by the C. W. S. comes from abroad. It has its overseas depots in several countries. It allows credit sales to retail societies. Nearly two-thirds of the goods sold by retail societies represent purchases from the C. W. S. It has extensive productive activities. It owns over 200 factories and produces a large variety of articles. The retail societies and the C. W. S. have also invested substantial sums in co-operative productive societies and are their chief customers. In 1945 the total sales of the C. W. S. amounted to over £182 millions. The total imports amounted to over £40 millions, and its productions nearly £53 millions. Neither the C. W. S. nor the retail societies produce or deal in spirits or beer.

The C. W. S. has also undertaken agricultural production. It* owns and farms no less than 37,500 acres, divided fairly evenly between arable and dairy farming. There are eight farms, totalling 16,010 acres, devoted mainly to arable farming, and five dairy farms, totalling 12,728 acres. All the dairy farms are large estates. * * * * * * In addition, intensive glasshouse and market-garden cultivation at six centres covers 312 acres. * * * * The actual allocation of acreage in 1951 over the whole estates was as follows :—

Pasture and meadow	...	11,637 acres
Arable	...	14,335 ,,
Fruit trees, etc.	...	1,590 ,,
Glass houses	...	84 ,,
Land not directly cultivated (*e. g.*, hedges, dykes, etc.)	...	1,404 ,,
Total		29,050 ,,

* Review of International Co-operation, August—September 1952.

7025 acres are on rental to private farmers and the Government. The total value of supplies from all these C. W. S. farms was £1,590,000 in 1951. To this total the arable farms contributed £612,000, the dairy farms £486,000 and the glasshouses £510,000. The most valuable single crop was the tomatoes and cucumbers from the glasshouses, which accounted for no less than £480,000, or about 30 per cent of the total. Milk, butter and eggs from the dairy farms amounted to £281,000 or another 18 per cent. The other leading items were grain crops, root crops (including potatoes and sugar beet), cattle and other livestock, and fruit, etc., each of which accounted for arround £150,000." "About 62 per cent of the farm output, excluding milk whose distribution is controlled by the Ministry of Food, is either distributed to consumers through retail societies or absorbed by C. W. S. factories. The balance of farm produce is sold by auction and to merchants."

The C. W. S. has an agricultural department which supplies oil cakes, fertilizers, cattle feeds, etc., to the farmers' requirements societies. It has a fertilizer factory of its own.

The Banking Department of the C. W. S. functions as a banker to the whole movement and others, through its branches and the agency of a net-work of retail societies.

A recent scheme sponsored by the C. W. S. is the opening and running of chemist shops in suitable areas jointly with local societies and for this purpose it has brought into existence the National Co-operative Chemists, Ltd. The C. W. S. has also undertaken several other services. In holiday districts, it has a number of hotels providing boarding and lodging to co-operators and the public. The other services are architecture and shop-designing, legal advice, statistics, etc. Through its auditing department, which has public auditors, it arranges for the audit of accounts of co-operative societies.

The C. W. S., with its wide membership and varied activities, is now a gigantic structure employing about 60,000 workers in its factories. Lord Roseburry, in one of the co-operative congresses, called it a "State within State."

The Scottish C. W. S. Ltd:—It is similar to the C. W. S., Ltd. It has also extensive productive establishments. It has a number of retail branches. Unlike the English C. W. S., companies are not admitted into its membership. It does not allow credit sales to societies, which on the other hand pay sums in advance on account of purchases. It has no banking department. Voting in meeting is similar to that in the C. W. S., Ltd. The society with the largest purchases is given fifty votes and other societies have votes proportionate to their purchases.

The English and Scottish Joint Co-operative Wholesale Society, Ltd:—This was established in 1923 for the joint enterprises of the C. W. S., Ltd., and the Scottish C. W. S. Ltd. It carries on the business of tea, coffee, cocoa and chocolate and deals in colonial produce. It has tea factories at London, Manchester and Glasgow, a coffee factory in London and cocoa and chocolate works at Luton. It has overseas depots in India and Ceylon. It owns a wharf on Thames-side.

Industrial Productive Societies:—These co-operative productive societies also known as co-operative co-partnership societies, which number 89, are affiliated to the Co-operative Productive Federation, Leicester. Their members include not only workers but non-workers as well, such as co-operative wholesale and retail societies and individuals. There are also a substantial number of employees who are not members. These societies endeavour to overcome the instability of the earlier self-governing workshops by the introduction of a body of share-holders who are not workers but who contribute capital and support the authority of the management. Many retail societies and the C. W. S. are their share-holders and provide them, to a considerable extent, with capital and a market for their products. In other words, most of these productive societies are a producer-consumer partnership. Their progress is principally in the clothing, boots and shoes and printing industries. In the words of Dr. Fay,—*"their economic importance lies almost wholly within the consumers' movement. This is their anchorage and with-

* Co-operation at Home and Abroad by Dr. C. R. Fay.

out it, they would be as much in the air as a college without the University to which it belongs." *Prof. G. D. H. Cole also says—"In effect, industrial co-operation among producers exists in Great Britain only as an adjunct to the consumers' movement, on which it entirely depends." The productive societies provide good labour conditions and have close relationship with trade unions. Many of their employees are trade unionists. Distribution of surplus is according to Rochdale principle, *i.e.*, bonus on wages to employees, dividend on purchases to customers who are co-operatives and a small extra payment to share-holders who are co-operatives in the main.

Agricultural Co-operation:—Agricultural co-operation in Britain had its beginning in 1867, when Edward Owen Greening set up the Agricultural and Horticultural Association for the supply of farmers' requirements. It had its office in London and worked successfully till it came to an end during the first World War. The agricultural requirements societies were the first to make their appearance, as the need of the farmers was the supply of adequate quantities of farm requirements such as fertilizers, feeding stuffs, etc., at reasonable prices. They have developed considerably and cover almost the entire agricultural area of England. Apart from supplying feeding stuffs and fertilizers, which form the bulk of their sales, they deal in seeds and other requirements such as implements and machinery and do the business of an agricultural merchant as well by purchasing from the farmers livestock, poultry, eggs, wool, milk, grain, potatoes, etc. Many of them handle grain on a large scale. Some of the larger societies have branches and their own mills, warehouses, vehicles for quick transport, etc. Several societies have egg packing stations. Unlike the agricultural supply societies of Eire, they do not undertake supply of groceries, clothes, etc., and have left such business to consumers' stores. They do not confine their business with members only. They allow credit sales usually for four to five weeks, though cash sales are encouraged by the offer of lower prices. In 1951 there were 77 societies with 80,440

* Century of Co-operation by Prof. G. D. H. Cole.

members and a total turnover of £31,420,763 which included nearly £3 million worth of eggs and poultry handled by them. In England, the Agricultural Co-operative Association plays a leading part in the further expansion and consolidation of societies. Through two of its regional officers it helps societies with advice and guidance and carries on educational propaganda.

Though many of the agricultural requirements societies do marketing business also, there are specialised marketing societies also particularly for eggs. The marketing societies have also undertaken the supply of the agricultural requirements of their members. Egg marketing has received a stimulus from the introduction of the National Mark and has developed considerably. The use of National Mark is permitted, only if eggs are tested and weighed at registered packing stations having standard equipment. Many co-operatives are having registered packing stations. Of the 112 marketing societies in 1951 with over 60,000 members and a turnover of over £31 millions, there were 27 societies for marketing of eggs and poultry and they accounted for over 38,000 members and an annual turnover of over £17 millions. The remarkable progress in egg marketing is attributed to two factors. One is the National Mark which guarantees grade and quality and the other is that, unlike in other countries, farmers have specialised poultry farms which provide their principal income. Fruits, vegetables, flowers and glasshouse produce are sold by societies formed for their marketing either in auction marts or to dealers with whom they enter into agreements. The Women's Institutes' Market Stalls also play a part in co-operative marketing. The Women's Institutes are composed of country women who are mostly wives of farmers and farm labourers raising fruits, vegetables, poultry, eggs, etc. Through the market stalls they dispose of all farm produce which is surplus to their requirements, instead of each one of them carrying her produce to the market town for sale to customers or retailers. Some of these stalls are registered as co-operatives while many have been carrying on as unregistered bodies. In 1951 there were 43 co-operative stalls accounting for a business of over £63,000. They generally

returned the sale proceeds less a commission to cover their expenses.

There are four wool marketing societies handling annually wool worth over £211,000. Marketing of wool is done under a scheme, according to Agricultural Marketing Acts, by a Board. The co-operatives function as authorised agents to receive wool from producers and dispose of it in auction on behalf of the Board. The Scottish Wool Growers, Ltd., handles about a quarter of the wool clipped in Scotland and unlike the English societies disposes of the wool to factories directly. In Wales, quite recently, a co-operative woollen factory, with share capital subscribed by farmers, has been opened with the object of protecting sheep farmers from the distress caused by fluctuating prices. It produces knitting wool. The Co-operative Wool Federation looks after the needs and requirements of wool marketing societies in England, Scotland and Wales.

In England and Scotland milk is sold to a large extent as whole liquid milk for which there is growing demand in industrial areas. Until the establishment of the Milk Marketing Board in 1933, the co-operatives collected milk from farms, generally pasteurised it and distributed it to consumers' societies. The Milk Marketing Board now fixes prices for milk and directs the distribution of milk in England and Wales. Cooperative dairies vanished after the advent of the Board. A few which still exist sell tuberculin tested milk and sometimes cheese made out of surplus milk in summer to consumers' societies. In Scotland the co-operative dairies transformed themselves into marketing boards.

A recent development in agricultural co-operation in England is the agricultural services societies. Among the services rendered are the hire of machinery, co-operative threshing and grass drying. There are now over 50 grass drying societies. The Agricultural Co-operative Association functions as the central organisation of agricultural co-operatives in England. It derives its income from subscriptions from affiliated societies in proportion to their annual turnover.

In Wales, which is a land of mountains and small isolated holdings, agricultural co-operation developed only after the establishment of the Welsh Agricultural Organisation Society in 1922. The agricultural requirements societies developed rapidly. They and the marketing societies function as general-purpose societies. Many of the marketing societies are engaged in seed production and distribution. The seed producing societies have combined into the Welsh Seed Growers' Federation. There are five farming societies organised in five estates by the Welsh Land Settlement Society, Ltd. *"The general plan of the society is to acquire farms suitable for the production of market garden crops and to form thereon communal settlements of ex-industrial workers from the 'special areas' which were the result of economic depression. The funds for acquisition of farms as well as for their development and cultivation are provided from time to time by the Commissioner for Special Areas in England and Wales. The management of each of the five estates is entrusted to a committee of five including a chairman, a vice-chairman, a secretary and two members elected by the settlers. The chairman, the vice-chairman and the secretary are appointed by the Welsh Land Settlement Society, Ltd. The manager and the technical staff are also appointed by the society. The settlers are provided houses on the farm sites. According to the scheme, as soon as the lands become productive, the settlers will be given free supply of vegetables, etc., according to the size of their family and also a share in the surplus, as determined by the Welsh Land settlement Society, Ltd., in proportion to the wages earned, during the year, by them."

The agriculture of Scotland differs considerably from that of England and Wales. There a system of farming known as the crofting system has developed over a great part of the country where agricultural production on a large scale as in England is impossible. The farmer has a few acres of arable land attached to the village ranging in

* Co-operative Farming by the Agricultural Credit Department of the Reserve Bank of India.

extent from one acre to fifteen acres and a share in nearby common grazing land. He usually carries on some other industry such as fishing or weaving. The crofters are scattered throughout the country into a large number of small cmmunities. There are also a few substantial farmers. The Scottish Agricultural Organisation Society, which was formed in 1905, has done much to promote agricultural co-operation in Scotland. The agricultural supply societies occupy a predominant position and are characterised by their wide area of operations. Many societies functioned as mere agencies for a commission. A few purchased also agricultural produce from the farmers including fish which forms the principal subsidiary occupation to small farmers. Another group of societies of some importance are the egg marketing societies which handle eggs and poultry worth over £900,000 annually. Recent developments in co-operative activities are the artificial insemination and chick hatchery. The chick hatchery society hatches eggs supplied by the members and markets the chicks to the best advantage. Only eggs of high quality are used by the society.

In Northern Ireland (Ulster), as in the rest of Ireland (Eire), co-operative dairies were dominating the co-operative movement. But in 1942 Britain established a great condensery for the manufacture of milk powder and condensed milk which resulted in 90 per cent of the co-operative creameries closing down. Every farmer is now licenced and must supply his milk according to the directions of the Ministry of Agriculture which also controls the price of milk. Under a new Milk Act, in 1950, the whole of Northern Ireland, except a few isolated spots, had been declared a "safe milk area." This was made possible by the enterprise and initiative of a number of co-operative dairies in the areas outside Belfast. They have installed expensive pasteurising equipment and ensured regular deliveries of bottled pasteurised milk in all rural areas. A few creameries have developed other activities besides sale of liqud milk, such as sale of farm requirements, corn grinding, threshing, hiring of tractors and implements, etc. There are also a few agricultural supply societies

which apart from supplying farmers' requirements, market farm produce like eggs, poultry, etc.

The Co-operative Union, Ltd., Manchester:—It is the propagandist and educational institution for the co-operative movement of Great Britain. It was founded in 1869. It is located in Holyoke House at Manchester. It is a federation of local and national societies. Besides education and propaganda its other functions are policy making, collection and publication of statistics, advisory and generally defending the interests of co-operatives. It derives funds from subscriptions from co-operatives in proportion to their own membership. The highest authority in the Union is the co-operative congress held annually which is more or less the parliament of the movement at which questions of policy are discussed and decided. The congress elects a central board. There are a number of committees for its various activities. It runs the Co-operative College and conducts several short courses for training men and women for the co-operative movement. After the first World War it has abandoned political neutrality and has launched a political party of its own called the "Co-operative Party" which alligns itself with the political Labour Party in the Parliament. It publishes the monthly journal, "The Co-operative Review."

The Horace Plunkett Foundation:—It is located in London. It was created as a trust in 1919 by Sir Horace Plunkett who left a considerable part of his fortune to be administered by trust.es. Horace Plunkett was an Irishman and the father of co-operation in Ireland. He founded the Irish Agricultural Organisation Society in 1894 and worked a great deal for the growth and development of co-operation in Ireland.

The object of the trust is to promote primarily agricultural co-operation. It is a centre of information upon the co-operative movement, particularly as regards agriculture all over the world. It has a co-operative reference library in London. It publishes the Year Book of Agricultural Co-operation and special studies.

The British Isles Federation of Agricultural Co-operatives (London):—This was founded in 1949 and serves as a

central organisation for the agricultural co-operative movement in Great Britain to coordinate the work of agricultural co-operatives.

The Co-operative Insurance Society, Ltd:—It was established in 1867 as a company and later bacame a co-operative society in 1899. In 1912-13 it was taken over by the two wholesale societies which are now managing it. It transacts several forms of insurance business for co-operatives, co-operators and others. Mention has been made, under "Retail Societies," about a special scheme of group insurance which it has been working in co-operation with retail societies.

The Co-operative Guilds:—The co-operative guilds are propagandist institutions. There are separate guilds for men and women. They provide voluntary workers for the movement. They, especially the Women's Guild, play a great part in educating members of co-operatives and canvassing opinion in favour of co-operatives.

The International Co-operative Alliance:—It is familiarly known as the I. C. A. Its office is in London. It was established in 1895. It is a world-wide organisation composed mainly of national unions of co-operatives. It formulates international policies and coordinates international co-operative action. It has received official recognition by the United Nations' Organisation and is a permanent non-governmental consultant to the United Nations' Economic and Social Council. It publishes a monthly co-operative journal entitled, "The Review of International Co-operation", containing much information upon and discussion of co-operative problems. It instituted, in 1923, the celebration of the International Co-operative Day every year and introduced the co-operative flag, "Rainbow flag" made up of all the primary colours, as the symbol of co-operation in all countries. It convenes periodical international congresses.

CHAPTER II

IRELAND (EIRE)

Brief History of the Movement:—Ireland Free State, called Eire, is a small country of peasant proprietors. Though it is essentially an agricultural country, there 's more of fine grass growing, as the soil is not quite suitable for arable crops. Therefore, stock-raising and dairying form the principal elements of farming in Ireland. Owing to the peculiar agricultural conditions, "grass dairying" prevails and it is almost exclusively summer dairying. Unlike Denmark where animals are stall fed and production of milk is uniform throughout the year, in Ireland there is abundance of supply in summer and scarcity in winter, when it even imports butter. In the last few years the system of cold storage has developed. Irish butter is now put in cold storage, instead of export to the British market, for use during winter.

Co-operation in Ireland is chiefly agricultural co-operation and it is centred round the co-operative creameries. The Irish Free State greatly helped to rationalise the industry on co-operative lines by buying the redundant or inefficient creameries, occasionally co-operative, but more often private, and transforming them to new or existing co-operative societies. Horace Plunkett (later Sir), son of an Irish land-lord initiated the Irish co-operative movement in 1899 by the organisation of a co-operative store on the English model. In his own father's estate he organised a store. But the store movement was not popular and quite successful largely because of the hold and influence of the "gombeen man", a local trader who combined in his person the character of usurer, provider of agricultural and domestic necessaries and frequently of merchant of agricultural produce and who conducted most of his business on a basis of barter. Horace Plunkett, therefore, turned his attention to agricultural co-operation on the lines of Denmark. In many respects Ireland is peculiarly like Denmark. It is chiefly an agricultural country, though not exclusively so. Soil and climate are suited to dairy farming and cattle raising rather than to growing of crops.

Its market also was in England in the earlier years. It is also a land of small farmers who are peasant proprietors. Horace Plunkett, therefore, realised that co-operation should be applied for the betterment of the peasant towards better farming, better business and better living. With the object of developing agricultural co-operation, he organised the Irish Agricutlural Organisation Society in 1894. It was subsidised by the State for several years. It was composed of individuals and co-operative societies and Horace Plunkett was its first President. It has done valuable services for the organisation and development of agricultural co-operatives in Ireland. It canvassed support from the Governmnt to the agricultural co-operative movement. It is now the central propagandist and educational body representing the agricultural co-operative movement. It tenders advice to co-operatives and generally protects their interests.

The Co-operative Creameries:—The first co-operative creamery was organised in 1889. The co-operative creameries are based on limited liability with share capital. They obtain funds, when necessary, from local joint stock banks or from the Agricultural Credit Corporation. They are of three types, viz., central creameries without branches, central creameries with branches and independent auxiliaries. First came the central creameries without branches which drew milk direct from their members, churned the cream, sold the butter and returned to the suppliers the value of milk based on butter fat contents and price of butter in local market. Such central creameries are working successfully in districts where there is relatively high milk yield and adequate milk supply to keep a single plant running to its full capacity. The central creameries open branches when there is no adequate supply of milk. The branches are equipped with the necessary plant for separating cream and the cream is then received at the central for making butter. They are not independent units. There are also independent auxiliaries having separate members and accounts. They have the equipment for separating cream and they enter into a contract with a central creamery for churning and marketing butter.

Their relationship with the central creamery is casual and temporary. Many are central creameries surrounded by branches or independent auxiliaries. The branches and auxiliaries are called "Skimmeries." A few creameries sell also liquid milk or cream.

There are no federal agencies as in Denmark for marketing butter. Attempts made twice to establish a central agency for marketing butter failed. In 1893 the Irish Co-operative Agency Society was formed, but it failed to get the support of the creameries to anv large extent. In 1927 another attempt was made for organising a new agency. By 1933 both the organisations were liquidated. In the absence of a central agency for marketing butter, there is competition and speculation in butter making.

The creameries function also as general purpose societies. They issue loans to members and recover them from their milk dues, the period of loans sometimes running to several months. Since the first World War, they have been supplying the agricultural and other requirements of their members and many of them have a well-stocked general store. Credit sales have been common and are recovered from milk dues of the members. A few societies market non-dairy produce like eggs, poultry, pigs, etc., belonging to their members. A few larger societies have stud bulls for the benefit of the animals belonging to their members.

The creameries function on all days including Sundays during summer and twice or thrice a week in winter according to supplies of milk. Milk received at the creameries is tested, weighed and cream is saparated on its arrival in the morning and the separated milk (skim milk) is returned to the supplier. The skim milk is used to feed young stock or disposed of to condenseries which manufacture condensed milk or milk powder. After paying interest on share capital, the balance of surplus is either carried over to the reserve or kept as undisbursed profit.

Other forms of Co-operation:—Credit societies started on Raiffeisen lines had all failed, as the farmer had no need of separate credit societies. He is able to get credit in

the creameries and trading credit in the stores section of the creameries. Co-operative marketing of produce other than butter has not developed to any considerable extent, though a few special societies for egg marketing exist. There are also a few bacon factories. Co-operative stores also have not developed in Ireland, as in dairying districts the creameries function as stores also. In non-dairying districts there are a few stores. In all stores too credit sales are a common feature. It is characteristic of country stores to have both agricultural and general trade.

The Irish Agricultural Wholesale Society, Ltd., at Dublin is a federation of agricultural co-operatives and distributes to societies seeds, manures, dairy machinery, domestic requirements, groceries, clothing, boots and other requirements such as parchment and box-wood for packing butter, eggs, etc.

CHAPTER III
GERMANY

Co-operative banking, as an organised system, had its origin in Germany. Schulze-Delitzsch and Raiffeisen were the founders of the co-operative credit movement. They began their work just about the same time in the middle of last century, Schulze-Delitzsch in the east and Raiffeisen in the west of the then German Empire.

• **Schulze-Deitzsch (1808-1883)**:—Schulze-Delitzsch entered the judicial service of the German Empire but resigned it at an early age and entered public life. He was elected to the Chamber of Deputies and always fought for co-operation and the rights of the common man. He has the distinction of having drafted the first co-operative law of 1867 for Prussia, which later in 1899 became the law for the entire German Empire. In recognition of his work, one of the German Universities conferred upon him the degree of doctor of laws. The idea of co-operation first suggested to him as a solution for the miseries of his neighbours caused by the death and famine in the forties of the nineteenth century. In 1849 he formed an association for

buying raw materials for carpenters and shoe makers in his native town of Delitzsch. He soon realised that the first need of the carpenters and shoe makers was credit, and in 1850 formed at Delitzsch the first loan society. This society depended on the local savings banks for funds. In 1852 he based it on the principle of self-help and made it self-supporting. It proved a success. In 1856 he published a book explaining the methods of work of his credit associations and made known to the public their benefits. Though there was hindrance from the Government in the benginning he was able to overcome it by his powerful speeches and writings. Everywhere credit associations on his lines sprang up. His credit associations were known as people's banks.

Principles and working of Schulze-Delitzsch Banks:— Schulze-Delitzsch first organised his banks on the basis of unlimited liability. But after the German co-operative law was amended in 1889 permitting limted liability to all forms of co-operative society, he raised no objection to his later banks adopting limted liability. He did not attach any special significance to the form of unlimited liability and appeared to have adopted it for his earlier banks, as it was the only form of liability permissible at the time.

Each member was required to subscribe at least one share and where the liability of the society was unlimited, only one share. The value of the share was fixed as high as possible without shutting out small industrialists and traders. He wanted his societies to be based on self-help and that they should encourage thrift among their members. He maintained that the share capital and deposits of members should form the funds for granting credit to members and, only if these funds were inadequate, they should obtain funds from the money market. The share was, however, payable in instalments. It was withdrawable on three months' notice. In addition to share capital members were required to pay an entrance fee which became the property of the bank and was added to the reserve fund.

Loans were granted to members only for productive purposes. They were for short periods not exceeding three

months and in the form of definite advance of money or a cash credit for which no period was fixed and which could be recalled at any time. The advance was usually on bills of exchange. The security for the loans was endorsement of sureties, land mortgage, deposit of valuables or the good name of the borrower, but the first form of security was the one usually preferred. Schulze maintained that the terms for loans should not be longer than those for which the bank had obtained the borrowings. Usually banks kept a margin of 1½ per cent between the rates of borrowings and lendings.

Schulze advocated large dividends so as to attract share capital and encourage thrift. He therefore prescribed no territorial limits for the banks' activities so that they could work through agents and branches and collect large share capital.

The general body of members was the sovereign body in all matters relating to the affairs of the bank. The administration vested in an executive committee of three members consisting of paid officials, the manager, the cashier and comptroller or auditor and in a supervisory board, both elected at the annual meeting of members. The supervisory board used to be elected in rotation, three of its usually nine members retiring each year. It was intended to watch the work of the executive committee. It met once a fortnight. The officers of the bank were paid annual salaries and a percentage of profits. Schulze did not insist on honorary service of officers of a society. Every member was allowed only one vote and voting by proxy was not allowed.

Every year a portion of the profits used to be carried to a reserve fund intended to meet losses. The contribution to the reserve fund was obligatory and it was prescribed by law.

Besides issuing loans to members, the banks were doing banking business as well like most commercial banks. They were having a savings bank. The members were mostly traders and workers, though there were substantial agriculturists too. The banks developed both in the countryside and towns, though the majority of them were in the

latter. They trained people to be their own bankers. *"Critics have aruged" says Dr. Fay "that some banks operate over so wide a district that they cannot possibly watch what is being done with the credit. But minute control, which may be necessary and convenient in agriculture, is unnecessary and intolerable in industry. In the first place, once a member's soundness has been established, the channel through which credit is granted is itself, in the case of the current account and trade bill, an automatic register of its productive use—persumably productive, that is to say, for no supervision of any kind can ensure that a product is profitably sold. In the second place, the movements of industry are rapid and difficult of observation. It is impossible to inspect the effects of the new capital put into an industrial business, as one might inspect by daily visit the obvious and steady progress on a farm."

Schulze was opposed to centralisation. There were no central banks. His banks made a special arrangement with the Dresden Bank, a large commercial bank, which acted as the clearing house for them and lent them financial support. He disliked financial aid from the State for his banks.

For organisation and educational propaganda his banks federated into provincial unions and the latter into the Schulze-Delitzsch Federation at Berlin. The audit of the banks was undertaken by the provincial unions and sub-unions.

Immediately after the first World War all the Schulze banks in the rural areas went over to the Raiffeisen Federation. All the urban banks and all other urban co-operatives including societies for craftsmen and consumers' societies were grouped in the German Co-operative Union. Though in the post-war period, the banks faced sharp competition from private banks, they fared well and were able to retain the loyalty of their members, the middle class.

Raiffeisen (1818-1888):—Raiffeisen joined the army, but owing to an ailment which impaired his eye sight, he had to quit the army and enter civil service. In 1865 he retired from service prematurely on an annual pension. His work

* Co-operation at Home and Abroad by Dr. C. R. Fay.

for co-operation began in earnest only just a year prior to his retirement from service. In the famine years of 1846 and 1847, when he was working as burgo-master in the district of Westerwald in Rhineland, he was moved by the intense sufferings of the poor peasants who were heavily indebted to the Jews and led a miserable life in the grip of usury. He wanted to rescue them from the Jews. In the beginning he restored to charity with the aid of his rich friends. He formed a benevolent society which purchased and sold grain and potatoes at low prices. He soon realised that charity would not bring the peasants lasting beneficial results and came to the conclution that there should be credit associations instead of benevolent associations. He formed his first credit association at Flammersfield in 1849 with barely a few hundreds of pounds of borrowed capital, no member contributing a penny towards share capital. The capital was provided by rich members who were not farmers themselves. He allowed non-borrowing rich members the entire control of the society, as they provided funds or rendered themselves liable for all debts incurred. But he soon realised that he would have to utilise largely the principle of self-help which had succeeded well in Schulze banks. He did not, however, accept Schulze's methods of organisation and business. He stuck to his own conviction that the rich and the well-to-do should join with the poor in order to give standing credit to banks. In 1862, he founded another loan society at Anhausen in which the borrowing farmers were themselves the members. All his later societies were on the Anhausen model. They came to be known a village banks or Raiffeisen banks.

Principles and working of Raiffeisen Banks:—The Raiffeisen Banks were based on unlimited liability. The members were responsible with all their property for the solvency of the bank. Raiffeisen first organised his banks without any capital and they had no shares at all. He later introduced nominal shares of low value simply to comply with the law. The shares were kept very low so as to make the banks accessible even to the poor. In the beginning no dividend on these small shares was declared. Later, the rate of dividend was restricted to the rate of

interest charged on loans. The banks were formed, as a rule, for members belonging to a small area, ensuring thereby mutual supervision over the use of the borrowed money by the members. Unlimited liability and restricted area of operations increased the sense of joint responsibility and prompted members to have a vigilance in the selection of new members, sanction of loans and supervision over the use of the borrowed money by the members.

The banks raised the loan capital, as in Schulze banks, through savings and depoits from members as well as non-members and credit from a central co-operative bank to which they were affiliated. Loans were granted to members only for productive and provident purposes for relatively long periods from one to ten years and they were repayable in instalments. The banks reserved the right to recall loans on four weeks' notice. The security for the loans was the endorsement of a guarantor or mortgage of lands, the farmer being always preferred.

The profits of a bank were transferred to an obligatory and indivisible reserve fund after setting apart one-fifth of them to a foundation fund intended for social welfare work.

The management of a Raiffeisen bank was similar to that of a Schulze bank. There were a small executive committee usually consisting of five members and a council of supervision consisting of six to nine members, as a check upon the committee, both being elected by the general body of members. Raiffeisen was for honorary service of the officers of the bank. So they, with the exception of the secretary, were not paid any remuneration.

In addition to granting credit to members, banks undertook purchase and supply of farm requistes and machinery and the sale of farm produce. Raiffeisen always kept moral improvement of the members prominent in his banks. He insisted that all the members of his banks should profess Christian virtues. In short, he wanted his societies to foster brotherly love and strove to make each one of his banks a centre of educational and moral influence in its little community, as well as a source from which its members might obtain credit and all other things needed for improv-

ing their farms and carrying on enterprises of an agricultural nature.

Raiffeisen banks consist mostly of farmers and function in rural areas. Unlike Schulze banks they do not have a building with a counter and a number of clerks. They are usually located in a small room in a farm building and opened twice a week and the business is transacted by an accountant, who is the soul of the bank. Raiffeisen created out of intense distress among small farmers the only form of credit organisation possible for them. His influence spread more widely than that of Schulze-Delitzsch. It spread not only throughout Europe, but also the continent of Asia, expecially to India where small peasants were predominant.

Unlike Schulze, Raiffeisen wanted centralisation of his credit system, as the loan papers of his banks could not be readily bought and sold on the open market and the banks required credit from a bank. He required his banks to become a member of the German Agricultural Central Loan Bank, which he founded in 1876. It had its headquarters at Berlin but had thirteen local branches throughout the country. In 1925 it collapsed owing to some misuse of its resources by its officers and was wound up. Thereafter the the Raiffeisen banks looked to the Prussian Co-operative Central Bank (a State Bank) for financial support.

For propaganda and organisation and generally to tender advice and protect the interests of his banks, Raiffeisen founded in 1876 a federation known as the Raiffeisen Federation. Under the federation there were local groups known as unions on a State level. The unions were independent bodies having their own resources. There were also a few sub-unions under the unions. The German co-operative law required that the audit of every society should be done at least every second year. The unions were empowered to act as official auditors. They conducted audit of affiliated societies every year. We have stated that the Raiffeisen Agricultural Central Loan Bank operated throughout Germany through thirteen local branches. At the headquarters of each of these branches was a union.

All these unions, apart from audit, were also concerned with control and development of the societies and maintained a trained staff of auditors and inspectors. Every affiliated society made an annual contribution to the union which included a fixed fee irrespective of the size of the society and a charge for audit based on the turnover of the society and the time taken for its audit. Deficit in the income of the union in any year was made up by a grant from the local branch of the central bank. Every society, as soon as it was formed, got affiliated itself to the local branch of the central bank and the local union. Every society also got affiliated itself to a sub-union which acted as a link between the audit union and the society. The sub-union was also concerned with the development of co-operation in its area. It was more or less like a supervising union of the Madras State.

Dr. William Haas:—Apart from Schulze-Delitzsch and and Raiffeisen, Dr. William Haas also played an important part in the co-operative movement during their life time. He turned his attention to agricultural co-operation. Though he formed societies on Raiffeisen principles, he did not owe allegiance to Raiffeisen. He formed his first agricultural society in 1872 and in about a decade there were several types of agricultural societies. Just like the Raiffeisen system, Haas societies also combined into provincial unions and the later into a national federation called the Imperial Federation. The provincial unions were primarily concerned with the audit of societies. In the Haas system there were 24 independent central banks and the Prussian Central Co-operative Bank served as their apex bank. There were also sub-unions similar to those in the Raiffeisen system.

For a long time there was rivalry between Haas and Raiffeisen societies and also between Raiffeisen and Schulze societies. Haas opposed centralisation of societies and too much stress on religion which were characteristic of Raiffeisen societies. While Raiffeisen used the credit society for the supply and sale of agricultural commodities, Dr. Haas combined non-credit and credit business in small societies only and when the business was large, kept them separate in independent societies. While the jurisdiction of his

credit society was limited, that of his non-credit society embraced many villages. The Haas organisation included dairies and other productive societies. Some of the societies, which covered large areas, adopted limited liability. The village banks had larger shares. The supply societies in each province had their own provincial central society. For a time, between 1905 to 1913, the Raiffeisen Federation and the Imperial Federation were amalgamated, but owing to some misunderstanding they were again separated until they were again amalgamated during the regime of the National Socialists.

The Prussian Central Co-operative Bank:—In 1895 the Prussian Government felt that the co-operative credit banks had not fully met the needs of the small man and so established the Prussian State Bank, with State capital and with the object of providing funds at as low a cost as possible to associations of small producers, both agricultural and industrial. It served the societies in the Prussian state only. Schulze banks retorted that they were quite able to take care of themselves and refused the assistance. The Prussian State Bank had, therefore, to confine its business mostly with agricultural societies, both Raiffeisen and Haas societies, which availed themselves of the assistance. It provided credit at a uniform rate of 3½ per cent per annum. After the liquidation of the Raiffeisen central bank, it became the national apex bank for the co-operative movement, extending its operations over the whole country.

Schulze-Delitzsch and Raiffeisen Banks —Differences:—

(1) Schulze banks have a wide area of operations and most of them have adopted limited liability. Raiffeisen banks have a small area and are based on unlimited liability.

(2) The former have high shares and declare large dividends, while the latter have low shares and dividend, if at all declared, is restricted to the maximum of the rate of interest charged on loans to members.

(3) While Schulze banks grant loans usually for terms of three months, Raiffeisen banks grant loans for relatively long periods and payable in instalments.

(4) Schulze banks carry on banking business only and no other co-operative activity. Raiffeisen banks, on the other hand, aim at fostering moral as well as material advancement and they carry on other co-operative business such as purchase of agricultural requisites sale of produce of farmers, etc.

(5) Schulze banks give fair salaries and compensation to directors. In Raiffeisen banks, the posts of officers are honorary with the exception of the accountant or the secretary.

(6) While Schulze banks are chiefly urban in character, Raiffeisen banks are entirely rural in character.

(7) In Raiffeisen banks there is the indivisible reserve fund called "stiftungsfond" which is the common property of the society and which on liquidation of the bank, is held in trust by some other bank until a new bank is formed to serve the area of the liquidated bank. In Schulze banks there is no such indivisible reserve fund.

Agricultural credit banks during the regime of the National Socialists and thereafter :—The agricultural credit movement was terribly affected by the great inflation which immediately followed I World War. It was in an unsound position. There was heavy demand for loans for unproductive purposes. The village banks were unable to meet the demand adequately. Their deposits dwindled and they looked to the provincial banks for funds and the latter to the Prussian Central Co-operative Bank which in turn looked to the State for funds. There was, therefore, a thorough reorganisation of the credit movement. When the national currency was stabilished, some sort of co-operative purge took place. The Central Raiffeisen Bank and other weaker banks were liquidated. The State bore most of the losses, which were to a large extent the product of State inflation. The Prussian Bank became the National Bank for Agricultural Co-operatives and the State provided it with increased capital. The Raiffeisen Union and the Haas Union were amalgamated into the National Union of German Agricultural Co-operatives. On the banking side

also there was a uniform system of local banks, provincial banks and the Prussian Co-operative Central Bank. By 1930 the position of the credit movement had considerably improved and the movement regained its former soundness, though heavily indebted to the State. Though there was a fall in the number of societies, owing to the weeding out of bad banks, the position of deposits in banks improved.

After the coming into power by the National Socialists (Hitler's party), the co-operatives were subjected to considerable State control. The co-operatives were required to conform to State policies, though their legal structure was not affected and they were allowed to carry on according to their regulations. According to a new law passed, farmers could not mortgage their land and were obliged to borrow on personal security only even for long periods and none of the commercial banks would lend them any money on personal security. The farmers, therefore, looked to the co-operative credit banks more and more for funds. The co-operative credit banks acquired greater importance. The entrustment of certain branches of marketing to co-operatives also helped an increase in the membership of existing societies and the organisation of more societies.

After the collapse of the Nazi regime and the occupation of the country by the Allies in 1945, the country was divided into four zones. namely the British zone, the American zone, the French zone and the Russian zone. This division of the country affected the unity of the co-operative movement. The co-operatives in the Soviet zone are cut off from those in the other three zones, which now form the West German Federal Republic.

In the Soviet zone the co-operative movement is rapidly adopting the pattern of the U. S. S. R. Collective forms known as producer co-operatives are coming up. It is said that coercion is discouraged and that peasants are induced to join the producer co-operatives by considerable economic pressure such as liberal concessions to peasants joining producer co-operatives.

*In the West German Federal Republic, at the end of June 1948, there were 11,240 village banks and they occupied a leading position among agricultural co-operatives. There were also 2710 supply and marketing societies, 5849 dairy and milk co-peratives, 521 electricity co-operatives, 805 machinery societies, 472 wine co-operatives, 321 meat and livestock co-operatives and 1824 miscellaneous others.

†All co-operatives whether they are credit banks or other forms of co-operatives are now united in the twelve unions which are not only responsible for audit of societies but also concerned with all matters of common interest. The German Raiffeisen Union at Bonn which has replaced the former National Union of German Agricultural Co-operatives is the present national union of agrcultural co-operatives. The Free Committee of German Co-operative Unions serves as the link connecting the agricultural and the non-agricultural co-operative movements and it is concerned with matters affecting the movement as a whole. At the headquarters of each of the twelve unions there is a central bank, which is an independent organisation belonging to the local co-operative banks which are its members. The central banks work in close touch with the unions at their headquarters.

Under the Nazi system of war finance, there was considerable increase in the income of the people, but they could not spend the income owing to the scarcity of goods. The result was heavy flow of deposits into co-operative banks which invested them in State securities, there being very little demand for loans from their members. When there was currency reform in 1948 and the Reichsmark was replaced by the German mark (DM), there was a great reduction in the value of securities held by co-operatives and the securities were not readily saleable in the market. This state of affairs affected the fluidity of funds with co-operative banks which could carry on lending business only to a limited extent. At the end of July 1951 the loans due to co-operative banks were only about half the amount of loans due at the end of 1938. A large percentage of loans was

* Year Book of Agricultural Co-operation, 1949.
† Year Book of Agricultural Co-operation, 1952.

for short term on the security of goods and bills of exchange. Long term loans were few and the demand for medium term and long term loans could not be adequately met by the banks.

Since 1st July 1949 the apex co-operative bank is the German Co-operative Bank at Frankfurt and it has taken the place of the former German Central Co-operative Bank (The Prussian Central Co-operative Bank) which had been compelled to terminate its work at the end of II World War. This apex bank is neither a co-operative bank nor a bank with State capital and control which was characteristic of the former German Central Co-operative Bank. It is a public utility corporation established by a law of May 1949. The foundation capital of this bank was contributed as loans by the Federal Republic and the provinces not exceeding half the amount of capital and the balance by the co-operatives. A special tax on agricultural property at 0.15 per cent has been introduced for a period of 10 years and the German Co-operative Bank is given half the revenue under this special tax every year to provide it with working capital until it reaches 60 million D. M. At the beginning of 1952 this special working capital formed out of tax revenue amounted to 32 million D. M. The business of the bank is conducted by a board of management which consists of representatives of the Federal Republic and the provinces and of the co-operatives, the representatives of co-operatives being in a majority. There is also an executive committee of three members chosen from the board. The Bank is under the supervision of a Commissioner appointed by the Federal Government. He safeguards the public interests and watches whether the bank does business according to laws and regulations. The bank is concerned with short term and medium term credit needs of co-operatives and distributes long term credit available for reconstruction purposes from Marshall Aid Counterpart Funds.

Other forms of agricultural Co-operatives :—The village banks generally carry on other activities than credit such as supply of agricultural requirements, sale of farm products, etc. The tendency is to have a single village society which

can carry out all functions except those which can be handled only by a specialised co-operative. The specialised co-operatives whose area is wider usually adopt limited liability. They deal with members as well as non-members and allow credit sales to members. The specialised co-operatives and the village banks are members of central supply co-operatives of which there are 13 now. The central supply co-operatives are concerned with the supply of fertilizers, feeds, insecticides, coal and machinery and the sale of grain and potatoes. They have established two national centres of supply and sale, namely the Raiffeisen Seed Imports and the Raiffeisen Trading Centre in Frankfurt for the joint purchase of fertilizers, feeds, insecticides and machinery and for imports and exports.

Before the first World War, when there was no control on trade in grain and other farm produce, several co-operative marketing societies developed fast. Prominent among them were the co-operative granaries having elevators and silos which bought and sold grain and undertook supply of agricultural requirements. The majority of them were in southern Germany (Bavaria and Baden) which was the stronghold of small peasant proprietors. Some had only individuals, some only societies and some others both as members and they functioned over a large area. The State helped them with grants and loans for erection of elevators. They first began business on a commission basis but as this method did not find favour with the farmers, who preferred fixed prices to uncertainties, they bought outright at market prices and sold the grain on the understanding that the profit or loss on sale should be shared between them and their members. Later, societies bought and sold grain unconditionally. Generally they cleaned and graded the grain before sale. Several village banks and supply societies also took advantage of the Government help and constructed their own local elevators on a small scale. The Bavarian Central Bank was doing, for a long time, in addition to its banking activities, the marketing of grain. It owned a number of elevators and silos and appointed members of village banks as purchasing agents on a commission basis. During the war period, when distribution of

grain was taken out of co-operative hands and the State undertook the work themselves, the marketing societies gradually vanished.

From the beginning, co-operative dairies developed strongly and extensively. Most of the societies adopted unlimited liability. Though their by-laws provided that the members should supply all the milk that they produced except that required for their domestic consumption, the provision was never rigidly enforced. Some sold liqid milk after cleaning and cooling it to wholesale vendors in towns and some produced butter and marketed it. The latter type of dairies were numerous. During the Nazi regime they multiplied in large numbers and under the new State regulations relating to milk, had practically the marketing monopoly for milk and its products. According to "Co-operation and Present-Day Problems" of the International Labour Office, there were 9744 co-operative dairies in 1940 handling about 70 per cent of the national output of milk and its products. In Western Germany, at the end of June 1948 there were 5849 co-operative dairies. They are grouped in 16 central dairies and the latter have, along with egg centrals, formed the "Milk Fat and Egg Exchange" at Hamburg for imports and exports, for the internal regulation of supplies, for advisory services and for the joint purchase of requirements.

There were many wine societies in the vine growing districts. Their constitution and working were similar to those of the dairies and wine was sold to merchants in public auctions or to big wine retailers or through their own wine restaurants in towns. In 1948 there were 472 wine co-operatives grouped under 6 wine marketing centrals and the National Wine Marketing Centre at Bonn. There were also 25 Alcohol Distilleries which made use of the by-products of the wine co-operatives.

There were also other types of agricultural co-operatives, namely 321 meat and livestock co-operatives, 163 egg co-operatives, 194 fruit and vegetable co-operatives, 8 potato drying and starch factories, 364 miscellaneous marketing societies, 262 livestock breeding societies, 805 co-operatives for threshing and joint use of machinery and 521 electricity

co-operatives. There were 16 egg central societies, 11 central meat processing co-operatives and five fruit and vegetable processing co-operatives.

The rural electricity co-operatives are the most important agricultural co-operatives, as they play a great part in the development of agriculture and handicrafts. According to "Co-operation and Present-Day Problems" of the I. L. O., they constituted about one-third of the total number of organisations supplying power in Germany in 1935. Some have their own power stations, but many provide their members with electricity obtained from a central power station. Most of the societies have adopted limited liability. Societies which obtain electricity from a central power station, erect the necessary distribution system with capital raised from the members themselves on the basis of the light points and machinery units in terms of horse power or raise the capital from the regional credit bank repayable in 20 to 30 annual instalments. After the erection of the distribution system, the societies either surrender to the central power company the entire system without any payment on condition that the company should maintain the system in good condition for an indefinite period or maintain the system themselves. When the system is erected out of outside borrowings the cost is recovered from the members annually at such rates as are agreed upon at the time of formation of the society.

Consumers' Societies:—The consumers' movement in Germany started only after the amendment of the co-operative law in 1899 permitting limited liability for co-operative societies. In the next one decade there was a rapid growth of societies on the English model. They were all members of the Schulze-Delitzsch General Union. In 1902, owing to some quarrel, the stronger stores left the union and formed a separate Central Union at Hamburg (Zentral-Verband). The Central Union functioned as the wholesale stores as well with varied productive activities. In 1908 there emerged another smaller federation of consumers' stores styled as the Imperial Union with its headquarters at Cologne. This smaller group had its own wholesale stores at Cologne. The wholesale stores at Hamburg was known

by its initials as the GEG. That at Cologne similarly came to be known as GEPAG. Societies affiliated to GEG expanded rapidly and opened banking sections on the lines of the English retail societies. When the Nazis came to power, the consumers' movement occupied a strong and important position. The two wholesales had over 1200 consumers' stores with nearly four million members. The German consumers' movement was second only to the English movement in size and business.

The Nazis' attack against the co-operative movement was directed against the consumers' stores, which were disliked by the small traders who were adherents of the Nazi Party. They allowed the societies to function for some time, in view of its important position in the economic structure of Germany, but under strict Nazi control. The movement was placed under the German Labour Front, one of whose first actions was amalgamation of the two wholesales into one at Hamburg. In 1941 the consumers' movement was completely extinguished. The Labour Front took over the societies and later handed them over to a new company which paid the members of the movement their share capital and deposits. After the occupation of the country by the Allies in 1945, an I. C. A. delegation visited the four zones in 1946 and 1947 and according to the report of this delegation, consumers' stores were being reestablished and they were enjoying the same freedom which they enjoyed before 1933. The properties of the wholesale stores and the retail stores were being restored to them. In western zone the GEG has commenced work and its factories have resumed production and the retail societies have been receiving supplies as usual, though on credit, as many of them do not have adequate funds. The wholesale stores has also its own new banking system for the entire consumers' movement. The German co-operative law prohibits societies from having transactions with non-members and so, unlike the English Societies, many of them have confined their sales to members only.

Co-operatives of small industrialists and traders:—While the Nazis extinguished the consumers' movemnt, they helped the co-operatives of small craftsmen and traders.

COOP13

Even as early as the 1880s there were organisations of small traders in the field of groceries and they took co-operative form in 1907. Their national organisation at Berlin was known Edeka (EDK) which signifies the first letters of the words meaning the co-operative purchasing society of German shop-keepers. For a long time there had been keen rivalry between the consumers' societies and the small traders and in fact because of this rivalry the Schulze-Delitzsch General Union could not keep together the consumers' societies and the credit banks which were created mainly for the small traders and craftsmen. For a long time the efforts of the small industrialists and traders to promote co-operatives for purposes other than credit met with little success. When the consumers' movement was suppressed, they found an opportunity to redouble their efforts. They now formed co-operatives for the supply of raw materials and disposal of their goods. The bakers followed the example of traders and formed their own co-operatives with a national orgainsation known as the Erdeba (R.D.B.) which like Edeka represents the first letters of the German name of the association. The bakers were shop-keepers producing bread themselves.

The Edeka co-operatives not only bought and sold articles, but arranged credit for their members through the Edeka Bank. They also gave considerable importance to two co-operative principles, namely thrift and education. The Edeka Central supplied the requirements of the Edeka co-operatives and functioned as a wholesale society. The Edeka Bank and the Edeka Central supported the Edeka co-operatives and their relationship was similar to that of the English C. W. S. to the English retail societies. The Edeka Central provided technical instruction to persons desiring to set up new business and the Edeka--Bank helped them with funds. These organisations were combinations rather than co-operatives and the term "Co-operation" or "Co-operative" was misused by them.

The Industrial Co-operatives:—These societies are of two types, namely societies which supply their members with raw materials needed for industries and societies which undertake contracts and distribute the work among their

members and pay them wages. Before the advent of the National Socialists into power there were over 4000 industrial co-operatives and a majority of them belonged to the first type. Many of them were bakers' societies. Societies of the second type are of two classes. A few are productive societies with a common workshop. A cabinet makers' society is an outstanding example of this class of societies. A tailors' society can be cited as an example of the second class of societies.

House building societies:—These societies had a rapid growth after the first World War when there was a general shortage of houses. There were nearly 3000 societies and they formed an important branch of the co-operative movement. In the beginning the societies advanced loans for long periods to buy or build houses. But later they constructed tenement houses and let them out for rent or made outright sale of houses. The members of these societies were mostly officials in public service or industrial workers. The State helped the organisation and development of these societies by grants and advances to societies.

The German Co-operative Law:—The German co-operative law was first enacted by the Prussian State in 1867. It was later in 1889 adopted by the entire German Empire. The minimum membership of a society is seven. The law permits three forms of liability, viz., unlimited liabilty, limited liability (liability limited to the value of the shares) and liability limited to an amount over and above the value of the subscribed shares. Each member has only one vote and proxy vote is allowed in exceptional circumstances. Societies with a large membership are required to have a smaller representative general meeting of delegates. No maximum limit to the holding of shares by a member has been prescribed. The law requires societies to have the "Supervising Council" as an intermediary between the directors and the general meeting, to watch the conduct of the committee in the interests of the society. Audit of all co-operative societies should be done at least once in two years. The unions have been empowered to act as official auditors and they conduct audit every year. All societies are required to carry a portion (not less than 10 per cent)

of their profits to a reserve fund, which on dissolution of the society can be distributed among members after paying off liabilities or devoted to some object of public utility. The Raiffeisen societies have adopted the second alternative and their reserve fund is permanent and indivisible.

General features of German Co-operation:—

(1) The agricultural credit societies occupy a predominant position in the movement and the key position in German agriculture.

(2) The influence of the German Co-operative Law of 1889 was strong in the basic co-operative legislation of the East European and Asian countries.

(3) The German co-operative movement laid considerable stress on teaching and training of co-operators and the staff.

(4) As soon as a society was formed, it affiliated itself to a central bank for finance, to a wholesale society for supplies and to a local union for audit, inspection and control. The unions nurtured new societies and guided them to work on proper and sound lines.

(5) The movement made use of the State financial services, though there were many co-operatives which were self-supporting.

(6) The movement attached greatest importance to the building up of reserves by co-operatives. Apart from the obligatory statutory reserve, co-operatives built up several other reserves.

(7) Every co-operative has a committee and a board of supervision to watch the conduct of the committee.

(8) The by-laws of all societies provided for the right of withdrawal of membership on giving notice which under the law must not exceed two years.

CHAPTER IV

ITALY

Luigi Luzzatti and Dr. Leone Wollemborg are the founders of the co-operative movement in Italy. Their field of activity was credit. Both came from wealthy families and were well educated. Both served as Minister of Finance. Luzzatti was also for some time the Prime Minister and Minister for Agriculture Commerce and Industry. He introduced a modified type of Schulze banks while Wollemborg implanted a system of rural banks on Raiffeisen lines.

Luzzatti Banks (Banche Popolari):—Luzzatti saw the sufferings of his people under usury and thought of co-operative credit as a solution of their miseries. He made a trip to Germany to study co-operation and was much impressed with the working of Schulze-Delitzsch banks. In 1866 he opened at Milan the first co-operative credit bank and became one of its share-holders. There was no paid staff and Luzzatti himself did all the work. The success of this bank led to the organisation of more such banks.

Principles and working of Luzzatti Banks:—Though, on general principles, Luzzatti banks are similar to Schulze banks, there are some differences. From the outset Luzzatti adopted limited liability for his banks. Instead of large shares which are characteristic of Schulze banks, he introduced shares of comparatively lower value payable in instalments so as to make his banks accessible even to the poor. So his banks had no substantial share capital and depended on deposits for working funds. Share capital in his banks was more a guarantee than security for creditors. Applications for admission into the banks should be endorsed by two members of the banks. He made the administration of his banks more democratic than that of Schulze banks by introducing a larger board called "Consiglio," which controlled the paid officials, and the audit committee called "Sindaci." The strength of the "Consiglio" depended upon the size of the bank and it ranged from 7 members to 140 members and the directors

retired in rotation, one-third of them being elected each year. The chairman of the board was the president of the bank. One half of the board constituted the quorum for meetings which were held fortnightly. The board appointed a manager and a cashier who were required to become members of the bank, but no relative of a director could be a manager or cashier. The "Sindaci" usually consisted of 3 to 5 members elected from the "Conseglio." It was the duty of the "Sindaci" to audit and report on the annual balance sheet and exercise constant and effective supervision over the finances and administration of the bank. There were also two other committees, the discount committee called the "Sconto" which consisted of 5 to 40 members and the risks committee called the "Rischi." The function of the "Sconto" was to advice on applications for credit. For this puorpose it maintained and revised, from time to time, a register showing the credit-worthiness of each member. The "Rischi" watched the use of credit and secured prompt repayments. There was also a special court of appeal called the "Probiviri" for disposal of disputes relating to admission and expulsion of members and refusal of credit. Its term was three years and its decision was final unless it was set aside by a meeting of the shareholders. Some banks, in addition, had a committee for "honor" loans to attend to the needs of members who were poor and could not furnish any security but their character. Such "honor" loans were given to non-members also. "Capitalisation of honesty" was Luzzatti's watchword from the beginning. Annual meetings of members were held but special meetings were convened on the request of one-tenth of the total number of members. One-fifh of the total number of members constituted the quorum for a general meeting. Each member was allowed only one vote and voting by proxy was not permitted. Generally officers were not allowed to vote at meetings on matters relating to their official acts. The membership of banks consisted mainly of small merchants, shop-keepers and artisans such as tailors, boot-makers, etc.

The chief form of credit allowed to members was always the bill of exchange, as the Italians were accustomed to it

for a long time and as it was easy to refuse renewal in case of bad use of credit. Moreover the bill of exchange could be rediscounted and more funds made available for business. Preference was given to small loans so that the small man might not be neglected. The period of credit was one year for farmers and three months for others with the privilege of renewal once or twice upon making partial repayments. The services of directors were gratuitous. Unlike Schulze and Raiffeisen banks which were vying with each other, there was cordial relationship between Luzzatti and Wollemborg banks. The former made their funds available to the latter. A few Luzzatti banks had country barnches too and worked side by side with Wollemborg banks without any rivalry. There was overlapping of jurisdiction of both banks and there was no dividing line between town and country banks. Town banks embraced large areas with both town and country members.

After the second World War the number of banks has gone down considerably. They are, however, able to obtain adequate funds by way of deposits. They do not have and have no need for a central financing organisation. They tend to become more and more commercial banks. To a large extent they depend upon discounting for their profits. They are all now grouped in the National Association of Popular Banks at Rome.

Dr. Wollemborg's "casse rurali":—The "Banche Popolari" did not adequately serve the small farmers, though it helped substantial farmers. Dr. Wollemborg took up the case of small farmers and made up his mind to try Raiffeisen banks in Italy with necessary changes suited to Italian conditions. In 1883 he started his first rural credit society "casse rurali" in Lorregia, a parish near Padua. This society had no shares or capital stock and was based on the original principle of Raiffeisen. The entire profit of the society was carried to an indivisible reserve fund. Loans were granted only for a period of three months, but successive further renewals of three months were allowed, so that the bank could decline the continuance of the credit, should a borrower's credit or security become impaired. It was also felt that this system

would encourage the borrower to make regular payments. Disputes between members were decided at their meetings and if they were not settled there, three arbitrators were selected by the parties in accordance with the civil code. The chief differences between a "casse rurali" and a Raiffeisen bank are—(1) the former accords short term renewable credit in the place of long term loans recallable at four weeks' notice allowed by the latter; (2) the former charges a small entrance fee and there are no shares; and (3) the former has a larger committee of management.

Catholic Banks or Communal Banks:—Just as Dr. Haas in Germany did not favour religion in Raiffeisen banks and formed a distinct class of agricultural co-operatives, Don Cerutti, a Catholic priest in Italy did not like the religious neutrality of Dr. Wollemborg's rural credit societies and formed a distinct class of rural banks on similar lines but controlled by Catholic priests. The first of such banks was formed in 1890 and soon many banks outnumbering Wollenborg banks came into existence, as the interests evinced by the Catholic church gave a strong impetus to their growth. Only persons of Catholic faith were admitted into these banks. They were grouped in diocesan unions which in turn were united in the National Federation of Catholic Rural Credit Societies, which was established in 1909. For a long time the co-operative movement was divided into two blocks and there was intense political rivalry between the two blocks. One block was controlled by the socialist party and the other by the Catholics, who were strong supporters of individualism. Today all the rural banks are united in a national association, though the Catholic banks are in a majority and powerful. At one time the rural banks handled agricultural requirements as well. Since the War the supply of agricultural requirements is almost exclusively undertaken by "Consorzi Agrari" (agricultural co-operatives).

Just like the "Banche Popolari", the rural banks do not have a central financing institution. In 1913 the National Institute of Co-operative Credit largely supported by state funds was established so that the co-operatives could obtain funds from it whenever they needed funds. The popular

banks of Luzzatti and the rural banks made little use of this institution, as they were able to obtain funds through deposits and as there was free interlending between societies without any system or control. In 1919 the Labour and Co-operation Bank was instituted by the Catholic Co-operatives. Neither the National Institute of Credit nor the Labour and Co-operation Bank was truly a co-operative bank. The former was closed down by fascism. In the new Italian Republic an autonomous co-operative credit section has been formed in the National Labour Bank by a fund of 500 million lire of which 300 million lire has been supplied by the State, 100 million lire by the National Labour Bank, 50 million lire by savings banks and 50 million lire by co-operative people's banks.

The Co-operative Law:—The co-operatives are governed by the New Co-operative Law of 1947. Until this was passed there was no separate legislation for co-operative societies. They were registered under the common law, the commercial code of 1883. Each co-operative society worked according to the rules filed with the authorities. There was very little difference between the legal status of a co-operative society and one formed purely for lucrative object. Under a law of 1932 the name "casse rurali" could not be used by other than a properly constituted co-operative society. The law also laid down that farmers, farm workers and artisans must constitute at least four-fifths of the membership, with a minimum membership of 40 and a capital of not less than 30,000 lire.

The law of 1947 *"provides that co-operative societies are to be supervised by the Ministry of Labour and Social Welfare. Co-operative societies and their provincial branches of every type must now be entered in the prefectural registers. The Central Commission of the Co-operatives is to consider the reform and co-ordination of the co-operative laws. The minimum number of members for any type of co-operative is to be nine, and this number is to be raised to 25 for societies eligible to tender for public contracts and to 50 for consumers' societies. No one is

* Year Book of Agricultural Co-operation, 1949.

allowed to join who is engaged in undertakings similar to those of co-operatives, e.g., middlemen and traders may not join consumers' co-operatives and land owners, tenant farmers and share croppers may not join certain types of agricultural co-operatives. The minimum purchase price of shares is raised from 100 to 500 lire, while the maximum value of shares that may be held by any one member is raised from 50,000 to 250,000 lire. Interest on capital is limited to 5 per cent." The law has made audit compulsory for all societies and it is permitted to be done by the national organisations. The co-operative societies are now under the control and supervision of the Director General of Co-operation attached to the Ministry of Labour and Social Welfare. The law recognises Provincial Supervisory Commissions and the Central Commission. Each of the Provincial Commissions consists of five co-operators and its principal task is to examine whether societies seeking inscription in the prefectural registers possess the qualifications required by the law. The Central Commission consists mainly of co-operators and ten officials of the various ministries concerned. It is the superior council of Italian co-operation charged with the duties of supervision of the co-operative movement and the issue of advice and above all the function of preparing the reform and coordination of the laws on co-operatives. Article 42 of the New Constitution for Italy which came into force on 1st January 1948 recognises the importance of co-operation. It says—"The Republic recognises the social function of the co-operative societies of a mutual aid character not pursuing objects of private profit. The law shall favour the establishment of such societies by the most suitable means and shall secure maintenance of their character and object by appropriate supervision."

Labour Co-operatives :—The labour co-operatives of Itlay have aroused widest international interest. They are Italy's peculiar contribution to co-operation. They undertake the execution of a work in exchange for some remuneration which is distributed among the members according to their rules. They undertake diverse works such as reclamation of waste land, road building, engineering jobs. etc. They grew up

about 1880, when there was distress and unemployment, purely as voluntary institutions and to a large extent by their own unaided strength. They were completely democratic institutions. They are of two important classes, namely, the "Braccianti" (labourers engaged on earthwork, canal excavation, drain and road formation, etc.) and "Muratori" (masons and bricklayers). The work undertaken by them was mainly from State and public bodies. They tendered for the contracts like any other contractor and rarely did they lose a tender, as their overhead expenses were very economical. The Government helped their organisation and development by giving preferential custom. A law of 1899 declared that the Government authorities might, either by private bargain or public tender, grant to them contracts up to 100,000 lire in cases in which the cost of labour constituted the main part of the job. Another law of 1904 had done away with the provision that the cost of labour must predominate in the contract and extend the monetary limit of the contracts to 200,000 lire. It also extended those privileges to agricultural labour societies. The societies were exempted from the deposit of caution or earnest money and were paid fortnightly on the basis of work done by them so that they could disburse wages to their members every fortnight.

After the first World War they had very rapid development and achieved brilliant success. For a time they had almost a monopoly of public works contracts. They have done considerable work in reclamation of lands for colonisation and cultivation. The most outstanding achievement in this direction is the draining of the deadly swamps between Rome and the sea in the malarious region of Ostia, in the ancient port of Rome, undertook by the "Braccianti" of Ravenna in northern Italy. *On 4th November, 1884, to get the work going, 500 labourers and 50 women left Ravenna in a special train, followed by the good wishes of their representatives and of a large crowd. More people joined them later. In all, 500 people lost their lives through malaria in reclaiming a district 450 Km. from their homes, which with its rich fields, its palaces, its

* Review of International Co-operation, August—September, 1952.

houses, inns and restaurants, its tennis courts and luxury resorts is today known as the "Roman Lido'." In the city of Ravenna the labour Co-operative built the town hall and a large school. The achievements of labour co-operatives are many. The provinces of Bologna and Ravanna are their strongholds.

Among the labour co-operatives, mention should also be made of the transport co-operatives. In 1937 there were 380 transport societies with about 20,000 members. They included a railway co-operative, "Riggio-ciano", owning a short stretch of railway, a navigation co-operative "the Garibaldi" with its office at Genoa operating shipping services, a boat building co-operative as well as co-operatives providing taxi and lorry transport services.

In a typical primary labour society, the share value is 50 lire payable at the rate of one lire a week. The liability of members is limited. No member can hold more than 100 shares. The members do the contract work in squads of 15 each so that there may be the "esprit de corps" and effective mutual supervision. Each squad has a leader who supervises the work of the squad and for this extra work he is allowed additional remuneration at a percentage of the total earnings of men in the squad. Sometimes a general director is appointed from among members to supervise the work of the entire group. The societies usually engage technical men like engineers to scrutinise specifications of the work they propose to tender and also to direct the execution of the work and settle the remuneration among the workmen. Sometimes local federations of societies employ qualified engineers and assessors for this purpose. Wages are generally paid fortnightly. Half of the profits is taken to an accident and pension fund. Special funds are also created for professional instruction and insurance. The balance of the profits is distributed to the member-workers in proportion to the wages earned by them. In exceptional cases societies take the services of casual workers who are called auxiliaries and who are not members. It may not be possible for a society to provide employment to all the members at a time. In such cases the members work in turns so that all can be employed or those workers who cannot be employed

in the work obtain casual work elsewhere till the society provides them work.

The societies have united themselves into many federations. Each society on joining a local federation has to pay one-fifth of its share capital to the federation. It must also subscribe one share of 100 lire for every 100 members of the society. The federation has an elected board of directors whose duty is to secure work, supplies and technical direction. The federations undertake contracts, allocate the work to member societies, purchase tools and machinery necessary for the works, arrange for loans and finance the execution of contracts. The technical director engaged by the federation may or may not be its member or member of one of its affiliated societies. Sometimes a consultative committee of three technical men is formed. The federation has the right to inspect the member societies and their books. It is usually established for a minimum period of 15 years. Sometimes it undertakes the production of building materials and maintains heavy machines such as trucks and road rollers used by the societies in their work. Some of the larger societies exercise some or all of these functions themselves.

The local federations are united in a national federation, which has also other productive societies as members. The member-federations are required to take shares in the national federation to the extent of at least one-tenth of their own share capital. The functions of the national federation are to coordinate and control the local federations' constructional work and to assist them financially. It undertakes large contracts covering the areas of several local federations or in areas where there are no local federations. Its other functions are to work quarries, kilns, workshops for stone metal or other materials, to prepare schemes and plans for roads and railways and to manage the provident fund for workers. Half of the national federation's profits is devoted to social and provident funds for the benefit of the members of affiliated societies, the remainder going to the reserves.

Co-operative Farming:—Italy's contribution to co-operation in co-operative farming is also remarkable. The labour

co-operatives have not only reclaimed vast stretches of land for cultivation, but have also undertaken the cultivation of the lands. The co-operative farming societies therefore developed out of labour co-operatives which reclaimed lands. The labourers decided to work the lands themselves as a means of prolonging and stabilising their employment. Like the labour co-operatives, the farming societies too were spontaneous organisations. Ravenna province is the stronghold of these societies and it is there they made their first appearance under the direction and guidance of an eminent Italian, Nullo Baldini.

The co-operative farming societies are of three types, "conduzione unita", "conduzione divisa" and mixed. The societies either owned the lands or rented the lands from owners. In the first type the land is cultivated jointly by the members, the means of production being owned by the society. The members work for the society and receive the customery wages. At the end of the year the surplus income, after meeting expenses and providing for reserves, is distributed among the members in proportion to wages earned. Such societies usually operate under socialist or communist auspices. In the second type the land is divided into a number of holdings and each holding is allotted to a member on lease. The members manage their holdings themselves. The society exercises the function of direction and supplies common services as credit, marketing and use of costly machinery. This type operates generally under Catholic influence. Societies of the mixed type also divide the land into a number of holdings but allot them at one each to the members or groups of members. The cultivation is carried on according to a plan drawn by the society which is responsible for all the basic operations such as ploughing, manuring, sowing, etc. The subsequent operations are left to the members themselves. The members are to hand over the crops to the society which takes a remuneration at one-third to one-half according to the extent of assistance rendered in the cultivation operations. The members and societies employ casual workers when there is more work than they themselves can do. In the off season, when there is no work on the lands, the members seek employment on

roads, canals, etc., temporarily grouping themselves for such works. The societies generally own tractors, motor lorries, machine pumps, electric motors, threshing machines, harvesters, etc. *"In 1948 the area cultivated by the above mentioned co-operatives was 72,355 hectares (of which 20 per cent was run collectively, 70 per cent individually and 10 per cent was mixed) and there were 117,407 members." They have not only provided employment to many but also have contributed to increased agricultural production. They have grouped themselves in regional federations which give them technical advice and supply them with agricultural and other requisites.

Industrial Societies :—There are a few isolated societies for industrial production. The majority of them are all in the skilled industries such as printing, potteries, glass making, etc., and some of them are very big societies, e.g., the Workers' Federal Glass Factory with over 1000 members and glass furnaces in several parts of northern Italy, the Cabinet Workers' Society, societies for ship builders and boat builders, etc. Unlike the English productive societies, the bulk of whose products are sold to consumers' societies which hold shares in them, the productive societies of Italy are independent of the consumers' societies.

Fishing Societies :—These societies have developed well with a great deal of backing by Government which has introduced the compulsory insurance of boats, thus insuring adequate funds and spreading risk as widely as possible, and established public fish auctions under proper supervision. Some of the best auctions are operated by fishermen co-operatives.

Consumers' Societies :—Consumers' societies developed only after 1880. There are societies in towns as well as in villages and separate societies for officials, especially railway employees. As in other types of societies, there is rivalry between Catholics and socialists. The rural stores have predominantly Catholic members and the urban stores socialist members. One special feature of these societies is that they generally undersell the private shop-keeper.

* Year Book of Agricultural Co-operation, 1952.

Immediate low prices are the main consideration of the members. Therefore many societies do not distribute purchase dividends at all or if at all distributed, they are very low. The Catholic societies generally sell to members only, while other societies sell to non-members as well. The large Milan Wholesale Stores sells to members and non-members and distributes purchase dividends to both without any distinction. Most societies sell wines also. Many have as adjuncts cafes, restaurants and bakeries. There was no uniform policy and proper guidance and each stores did business as it liked. In 1927, a wholesale society known as the ECA (a contraction of its Italian name) was established at Milan. As Milan has no retail consumers' society, the ECA does retail business through its several branches. It has no large and varied productive activities and functions as a real wholesale supplier to the primary stores. It makes large purchases from the agricultural co-operatives.

Agricultural Co-opertives:—Supply of farm requirements is a widespread form of co-operation in Italy. These co-operatives are known as agricultural "censortia" (consorzi agrari). They more or less correspond to the agricultural syndicates of France. They are themselves active promoters of other co-operatives. They own about 140 fertilizer factories and produce about one-third of the national output of super-phosphates. They are grouped in the Italian Federation of Agrarian Societies which functions as an agricultural wholesale society and has undertaken diverse other activities. It has several sections or departments and through them it contacts every agricultural sector in Italy. It has a department for the supply of fertilizers and plant chemicals which is also engaged in the research for increasing agricultuarl production. There are departments for the production of cattle feeds, seeds, nurseries, herbage, farm machinery and other agricultural equipments, etc. One department is concerned with the collective sale of agricultuarl products. It has specialised factories for processing and packing fruits and vegetables. It has a network of warehouses where the farmers can stock their produce for a good market and receive advances from

their co-operatives. It has also a transport and insurance section to solve all problems of co-operatives connected with transport and insurance. According to the rules of the federation, its administration vests in a board of directors and an administrative committee. Both these offices, however, are vested now in a Government Commissioner assisted by a Deputy Commissioner who manages the affairs through the vast staff and a number of regional and special offices for its diverse activities. The federation has done and continues to do valuable service to agriculture. The marketing of fruits and vegetables has received a stimulus from the federation's marketing department, "Fedexport" which has developed export business on a large scale.

There are also co-operatives for processing of agricultural produce such as co-operative dairies, co-operative vintries and co-operative olive oil presses. The co-operative dairies have mainly developed in the north and they make butter, cheese or both while a few supply whole milk to central co-operative organisations in large towns like Rome, Milan, etc., for distribution to consumers. Cheese making is prominent in the five provinces of Reggio-Emilia, Modena, Parma, Bologna and Mantua. In Reggio-Emilia alone there are about 200 dairies producing considerable amount of cheese, which is called "grano." The five provinces are called "grano quadrilateral."

Other types of Societies:—There are over 2,600 house building societies deriving funds from the State. They advance loans for the construction of buildings or construct buildings and take tenants as members who on payment of the rent regularly for a fixed period or on payment of a lump-sum become owners of houses.

Quite a unique type of society is the Film Dubbers' Society which was founded in 1944. It has well-equipped offices and 150 active members who help the "dubbing" of foreign films in Italian Language.

General:—Before the Fascist regime there was no unification of the movement. Perhaps it was not possible, as the co-operatives rejected the principle of political and religious neutrality. Politicians did not limit their strifes

to the parlimentary arena, but carried them into co-operatives. This was particularly noticable in consumers' societies. In one and the same area several societies functioned in keen competition among themselves. There was no system, central direction or control of polices. In the words of Dr. Fay, *"the prewar co-operative movement of Italy was distinguished by its fecundity and what might be called decentralisation or indiscipline according to the point of view." It is no wonder, therefore, that the co-operative movement suffered under the Fascist regime. There was, however, no campaign against co-operation as such. The Fascist Government merged the competing societies in one for each locality, put their accounts in order through audit, supervision and education and stimulated them to new activities. The privileges enjoyed by co-operatives had for the most part been retained. Nearly all societies were affiliated to federations and national federations. The national federations were affiliated to the National Co-operative Union. There was a process of integration in the movement.

After the second World War, in the new Italian Republic, a process of further reorganisation of the movement is going on. The new constitution of the Republic has recognised the importance of the co-operative movement. In 1947 a new co-operative law was enacted and a Director of Co-operation has been appointed to guide and control the movement. The co-operatives are now grouped under two national organisations, the National League of Co-operatives and the Italian Co-operative Confederation. The latter organisation is under Catholic influence.

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* Co-operation at Home and Abroad by Dr. C. R. Fay.

CHAPTER V

FRANCE

Introductory:—Workers' productive societies or the self-governing workshops were the first form of co-operatives to appear in France. Co-operative Credit which made its appearance first in the German co-operative movement was neither the starting point nor the rallying centre of other forms of co-operation in France. Nor did consumers' co-operation, which developed rapidly in Great Britain, make its appearance until after the workers' productive societies had developed.

For one thing, there was never an industrial revolution on a scale comparable with that in Great Britain. For another, while the Industrial Revolution left English agriculture cold, the French agriculture was not affected. France was not exporting staple food stuffs. Nor was it importing food stuffs to any large extent. It was almost self-sufficient in food stuffs. To a large extent France still remains an agricultural country and agriculture is still her major single industry. The Revolution of 1789 made the peasants the real owners of their land which formerly belonged to feudal lords. Many public lands also became peasant properties. The farmer was more or less self-sufficient. He was thrifty and never oppressed by usurious loans as his counterpart in the neighbouring Germany. On the other hand, many farmers had some capital of their own. They were moreover too individualistic and conservative to associate and carried on agricultural operations in their old traditional methods until the eighties of the last century when they joined the agricultural syndicates for collective action.

Urban life in France was, however, much advanced. There were several large cities led by Paris which were rich in craftsmanship. The sociailsts and the workers who were under the influence of the former wanted socialisation of the means of production. The need of the workers was also not so much the co-operative store as a productive society.

Moreover the socialists were also inclined to look upon consumers' co-operation as a distraction of the workmen's energies from class struggle. The State help to productive societies with liberal subventions also prompted the workers to concentrate their attention on workers' productive societies.

Workers' Productive Societies:—Workers' productive societies were first organised in 1848 in Paris. Many of these early societies disappeared in about two or three years. Later they again made their appearance and developed fast with State help. *There were in 1949, 750 workers' productive societies engaged in such diverse trades as building and construction, the printing and paper trade, timber industries, glass works, films, etc. They included several varieties of productions and services. They employ over 35000 workers and are federated in the National Federation of Workers' Productive Societies. They have their own co-operative bank. The strongest are societies of skilled workers in Paris such as the society of the workers of precision instruments and the "Union et Travail" (Union and labour) which is a large tailoring society with over 400 members including a majority of women, etc. The former society manufactures several types of precision instruments required by scientists, ships, aircrafts, etc., and telephones and supplies to the public and the State. The skilled workers are members but they share the profits with unskilled workers who are not members. Another peculiarity is that all skilled workers are paid the same wages irrespective of their work. It has its own apprentice school to train workers. In he "Union et Travail" nearly all workers are members and there are non-workers too among members. It pays higher wages than even trade union rates. It undertakes contract for the supply of uniform for postal and railway officials. It too trains apprentices. In both these societies there prevails a fraternal or family atmosphere. The National Federation of Workers' Productive Societies, apart from generally protecting the interests of societies, settles all disputes between members and societies and operates several funds set apart for the social welfare of the

* International Labour Review, December, 1950.

members of societies. The health services provided by it in the separate medical department are an outstanding feature of the Federation.

The productive societies are based on limited liability. They obtain the necessary funds for their working and capital expenditure from their own co-operative bank of which they are members. The funds of this bank consist of sums invested by workers' societies, donations from philanthrapists and funds provided by the State as gifts and loans. It makes advances against work done by societies for their customers which have not yet been paid for, discounts trade bills of exchange, makes long term loans for capital expenditure such as building construction, purchase of machinery, etc., and supplies to societies the caution money which they have to deposit in certain contracts.

Special features of Productive Societies:—One special feature of French productive societies is that the state is their biggest customer and provider of capital. They look to the public authorities for support just as the workers' productive societies of England look to the consumers' movement for their market. In both countries, however, they look to outside support. In France, the productive societies are not connected with the consumers' movement, probably because it is not so strong and well-developed as that in England.

From the beginning the State has been giving support and encouragement to the societies. Individual societies have been given liberal subventions. Preferential treatment is shown to societies in Government contracts which are either split or divided into sections so as to be within the reach of societies. Contracts of the value up to 20,000 francs are given to societies without open tender and competition. In the case of contracts exceeding that value, when there is a tie between a private contractor and a society, the latter is preferred. Societies are not required to deposit caution money for contracts up to the value of 50,000 francs. In order to facilitate payment of wages to their members by societies, at short intervals, societies are paid fortnightly for the work done by them.

Another distinctive feature of the French societies is that they are hostile to trade unions, while in England there is not only cordial relationship between societies and trade unions, but the members of the former are also the members of the latter.

The French societies are of great social value in so far as their members feel that they are members of a large family. They are also centres of training for those who desire to enter the industries which they (the societies) are concerned.

The concessions and the financial assistance rendered by the State and the cheap loans granted by the co-operative bank of the workers' productive societies account for the development of such societies in France while similar societies in England remain almost stationary. In France the strongest societies are of skilled workers in Paris, while in England the strongest societies are in machine industries in the counties.

Handicraft Co-operatives:—Quite a recent development is the organisation of co-operatives for handicraftsmen. The importance of the co-operative method of dealing with the poblems of the handicraft industry such as pooling of ideas and experience, adoption of technically efficient methods of production, the standardisation of designs and material, etc., has been recognised. For the development of societies for handicraftsmen a central co-operative credit fund has been created by the workers' productive societies and distributive societies. The fund also receives Government grants. Medium and long term loans are advanced to societies according to their needs. An outstanding example of a successful society is the "Bourg-en-Besse" which was established in 1946 for the manufacture of agricultural machinery. *"Formed to overcome prevailing economic difficulties, such as the lack of raw materials, this society, which is composed of scattered rural and urban handicraftsmen and small manufacturers in the south-east of France, covers decentralised centres of production with 15,000

* International Labour Review, December, 1950.

square metres of scattered workshops and 800 machine tools and implements, capable of producing 150 agricultural vehicles per month. The scattered workshops are linked together by a central unit, which is responsible for the organisation of production as well as for laying down the specifications of machinery to be constructed and each workshop undertakes the producton of a part or a whole vehicle according to its capacity. The bigger workshops specialise in the assembly of vehicles from parts supplied by smaller units, and the whole organisation is supervised by the central body, which also gives technical assistance. Individual units can undertake direct sales at prices fixed by the Co-operative; but a percentage contribution is payable to the organisation. The society also undertakes the purchase of raw materials on an inclusive basis though supplies are delivered direct to the individual by the wholesale supplier. The co-operative society has, in addition to facilitating an increase in agricultural production by means of relatively low priced equipment, suited to local conditions, provided valuable economic and social advantages in improving the conditions of living of the craftsman and small manufacturer."

Consumers' Societies:—Consumers' co-operation developed in France only after 1870. In the beginning there was a great deal of party politics and there were two classes of societies, one led by Prof. Charles Gide preaching the Rochdale gospel of political neutrality and the other led by Prof. Alfred Marshall pleading socialist co-operation. Each class of societies developed its own national federation and wholesale and it was not until 1913 there was reconciliation between the two classes. The two national federations merged into a new central organisation, "Federation Nationale Des Co-operatives De Consommation" known by its initials F. N. C. C. The smaller of the two wholesales which was sponsored by Gide was obsorbed by the bigger wholesale, the "Magasin due Gros" (M.D.G.) with headquarters at Paris. It does business mainly as a commission agent, sharing the wholesale business with retail societies and their federations. For this purpose it has a number of

depots. It has no large productive establishments as those of the English C. W. S. Its productive activities comprise a fish plant, a chocolate factory and a boot factory.

The comparatively poor development of the wholesale society is largely due to the peculiar development of large regional societies in France by the merger of a number of societies into one society. The first of such regional societies to be formed was the fusion of all co-operative stores in Paris except the Bellevilloise Society into a single large society, the "Union des Co-operateurs de Paris" in 1916. These regional societies embraced very large areas covering one or two districts or even a whole province, e.g., the "Union des Co-operateurs de Lorraine" with headquarters at Nancy which covers the whole province of Lorraine. They developed in the industrial areas. In their jurisdiction there are, however, still many independent societies. But the regional societies and the independent small societies are united in the regional and national federations. The regional societies have opened a number of branches and undertaken productive activities either jointly or with other regional societies.

The consumers' societies are on the English model with limited liability. Just like the English societies, the French societies too make sales to non-members who are admitted as what they call "adherents", a class of members intermediate between members and non-members. The adherents do not subscribe shares but pay only a small entrance fee of one shilling or one shilling and six pence. They cannot participate in the management of their societies or attend meetings and vote, though they are given the same precentage of bonus on purchases as members. Some of the larger societies have specialised in holiday and convalescent homes. The consumers' movement has its own separate co-operative bank, the "Societe Central des Co-operatives de France." A National Committee of 50 members elected by the regional federations supervises the movement. Th regional federations arrange for the audit of all their affiliated societies.

Agricultural Co-operation :—

(*i*) *General*: The agricultural syndicates of France have played a great part in promoting agricultural co-operation. These syndicates are associations of agriculturists for the defence and advancement of their common interests and are somewhat similar to the trade unions in the trade and industry. They are instruments for collective action. They came into existence after the passing of the law regarding trade unions in 1884. They did everything for improving the agricultural industry and had diverse functions. They supplied seeds, manure, etc., and undertook sale of agricultural produce and were very popular among farmers. They established all kinds of agricultural co-operatives and in the early stages the co-operatives were practically administered by the syndicates. In short the co-operatives grew under the wings of the syndicates. As years passed and the co-operatives developed in number and strength, the syndicates gave up their trading activities, though a few still act as agents of their members or large societies for the supply of their requirements.

(*ii*) *The Agricultural Co-operative Laws* :—*There are separate laws for agricultural co-operatives. The Ordinance of 12th October 1945 defines the present legal status of agricultural co-operatives. They are described as special civil societies with variable capital and membership. The liability of members is limited to five times the value of their shares. Co-operatives are under the supervision of the Ministry of Agriculture. The supervision is carried out through the Higher Council of Supervision and the Registration Committees. The former consists of 60 members who include ex-officio members and elected representatives of co-operatives and syndicates, the co-operatives being three-tenths and the syndicates seven-tenths. The Council meets at least once a year under the presidentship of the Minister for Agriculture. The Council studies the working of the co-operative movement and frames model rules for the organization and development of the several types of co-operatives. The Central Registration Committee consists of 21 members who are ex-officio members and representa-

* Year Books of Agricultural Co-operation, 1951 & 1952.

tives of farmers elected by the Higher Council of co-operation. This committee examines the rules and amendments to rules proposed by the federations of societies. At the departmental (district) level there are registration committees of 10 members of whom three are ex-officio members and seven are elected. They examine the rules proposed by local co-operatives and ensure that they conform to the model rules framed by the Higrer Council of Co-operation and confirmed by the Ministry of agriculture. Societies are required to send to their district committees proceedings of their annual general meetings and a full report of the financial and other particulars of the society including an audited balance sheet. Co-operatives are also subject to the supervision by the officials of the Ministry of Agriculture and the financial inspectors. They are also subject to the supervision by the National Agricultural Credit Bank and the regional agricultural banks, if they have received State loans. An agricultural co-operative is often formed for a limited period and dissolved at the end of the agreed term. The general meeting has, however, power to postpone its dissolution. Non-members can also take advantage of co-operative services.

(*iii*) *Agricultural Co-operative Credit*:—Agricultural co-operative credit plays an important part in agricultural co-operaton. The village bank is the lowest in the credit structure. Next comes the regional bank to which village banks are affiliated. There are over 4000 village banks and 96 regional agricultural banks. At the top of them all is the National Agricultural Credit Bank. While the village banks and the regional agricultural banks are purely co-operative, the National Agricultural Credit Bank is a Governmental organisation.

The village banks were established after the passing of the law of 1894 which permitted the formation of credit banks (caisses) under the wings of the agricultural syndicates for providing loans to their members. In 1899 the Bank of France was compelled to grant a large interest-free loan to caisses through the regional banks and in addition an annual grant from its profits. Agricultural co-operative credit has

been, from the beginning, receiving considerable State help and encouragement.

(*a*) *Village Banks*:—The village banks are based on limited liability except for a few which have been formed without capital. The liability of a member is five times the share capital subscribed by him. Loans are advanced to members for short term, medium term and even long term for periods up to 15 years. Short term loans are advanced on personal sureties or on material security. Medium term loans and long term loans are generally secured on mortgages. Loans for short term are advanced also on the personal security of the borrowers countersigned by their wives. Loans are issued to groups of persons for such purposes as running a wine press, mill or other common enterprise. Village banks receive deposits from members and non-members, open current accounts for their members and discount their bills. A village bank generally covers a parish. Of late there is a tendency to amalgamate small banks and form cantonal banks so that they can employ qualified staff and undertake varied business.

The management of a village bank vests in an administrative council composed of members drawn from the several communes comprising the area of the banks at the rate of one member for each commune. Every bank has a full time or a part time paid official functioning as secretary and his pay is, to a large extent met by the regional bank to which it is affiliated. Applications for loans are received by the secretary, referred to the members of the council representing the applicants' communes for remarks and placed before the council. The council sends them to the regional bank with its decision for sanction by the latter.

(*b*) *Regional Banks*:—The regional banks serve one or two departments (districts), receive deposits, make advances to village banks and do re-discounting business. A few of them have branches which deal directly with individual farmers. Loans are advanced for short term, medium term and long term. Long term loans are issued for periods from 10 to 50 years. It is said that the members are generally prompt in the repayment of the instalments of

their loans and that at the end of 1950 the arrears amounted to about one per cent. The constitution and methods of work are similar to those of a village bank except for the fact that "collective members" (co-operatives and syndicates) vote according to shares with a maximum of five votes and the directors of regional banks are approved by the National Agricultural Credit Bank. Profits are first carried to a reserve and when it reaches a certain level, a part is distributed as bonus on business done, as in village banks. The regional banks have as their members not only village banks, but also larger agricultural co-operatives concerned with marketing or supply of agricultural requirements, syndicates and individuals. They exercise a close control over the village banks and other agricultural co-operatives and are responsible for the audit of their accounts.

(c) *The National Agricultural Credit Bank* :—This is a Governmental organisation. It does not publish a balance sheet and its budget is approved by the Ministries of Agriculture and Finance under whose control it works. Two-fifths of its controlling council are elected by the regional banks, one representative is appointed by the General Confederation of Agrilulture and one representative each is deputed by the National Federation of Agricultural Co-operatives and staffs of the regional banks. The rest of the members of the council are nominated by the Government. The resources of the bank consists of (1) the original credit endowment and reserves; (2) advances from the State; (3) advances from the national fund for the modernisation and equipment of agriculture; (4) the share capital and reserves of agricultural credit co-operatives; (5) deposits and sale of bonds; and (6) funds obtained by rediscounting. It is authorised to issue bonds through regional banks. It advances loans for short term and medium term to regional banks and for long term to collective bodies such as co-operatives and their unions engaged in the supply of agricultural requirements, processing and marketing, agricultural syndicates and agricultural companies such as those engaged in electrification. More than half the resources are lent as short term loans to regional banks. The N. A. C. Bank has the right to inspect the village and the

regional bank and decide on rates of interest and the use of the money advanced by it.

(*iv*) *Other agricultural co-operatives*:—There are about 2000 societies for the supply of agricultural requirements and they had evolved from the system of joint purchase of their requirements by the farmers through their agricultural syndicates. The shortage of supplies during the War gave an impetus to their development. They vary in size. Some operate over an extensive area such as a district. Some confine themselves to the supply of the requirements of the farmers while some others undertake a variety of services such as marketing of grain and other agricultural products, owning tractors and other costly agricultural machinery for hiring them out to their members, owning experimental farms and laboratories, running dairies, etc. Large societies operating over a district keep themselves in touch with the farmers through travelling agents and arrange delivery of the farmers' requirements at their farms. There are two national unions functioning as wholesales and the local societies are affiliated to either of the two. It is estimated that about 45 per cent of the total supply of fertilizers, 43 per cent of animal feeds, 50 per cent of binder twine for vines and 40 per cent of insecticides pass through co-operatives. The societies usually have an account with the regional agricultural credit bank and are controlled and audited by the latter. The internal audit in every society is entrusted to a supervisory council. Every shareholder has one vote, but by-laws usually provide for grant of limited number of additional votes to large shareholders and members of the committee of management. By-laws also provide for payment of bonus on purchases and for an undertaking by members to purchase all their requirements from their societies.

There are about 4500 machinery societies known as C. U. M. A. (Co-operatives d' Utilisation de Material Agricole). They were first organised as threshing societies, but after the War when there was a dearth of draught animals they converted themselves into machinery co-operatives owning tractors and machines for spraying insecticides. They do a variety of services like uprooting old vineyards

and orchards for replantation, lifting potato and beet root, etc. They have formed into 35 unions which have opened 86 centres for carrying out repairs to machinery. There are also mobile workshops mounted on jeeps. They have also combined into district federations and a national federation. The national federation is in close touch with the Institute for the Scientific Organisation of Agrcultural Work and offers technical advice to societies. It has also set up a national union for the purchase of agricultural machinery and spare parts in bulk and distribution to unions and societies. Of late, owing to the availability of horses at cheap prices, the use of tractor is becoming less and less popular and there is a tendency for societies to turn their attention to grass-drying.

Another important development after the second World War is co-operative livestock breeding through artificial insemination. There are several stations for artificial insemination in the dairying areas. They are interesting themselves in improving animal feeds, milk and butter-testing, etc.

The dairy co-operatives are the oldest type of agricultural co-operatives. They are of three classes, viz., cheese making societies called "fruitieres" in the mountainous regions in eastern France, butter making societies in the west and north and societies selling liquid milk round about big cities like Paris, Lyons, etc., or in areas from which big cities and towns draw their supplies of milk. As in Denmark, the majority of old dairies were formed without capital shares, and loans were raised for capital expenses on the joint responsibilty of the members. Unlike in Denmark new members in France paid entrance fees proportionate to the amount of loan already discharged. In France, societies cover a much wdier area. The cheese making societies have formed themselves into groups for erecting a cellar for the maturing of cheese or for collective marketing of cheese. Some butter making societies have, as a subsidiary activity, the manufacture of casein out of skim milk. Milk societies collect milk generally within a radius of 20 miles, pasteurise it and deliver it to towns either in sealed bottles or in tank lorries. The dairy societies, in addition to their main activity, also attend to the supply of feeds, improvement

of breeds by artificial inseminations, etc. Egg societies on a small scale are to be seen sometimes alongside a creamery or the creamery itself handling eggs. Milk supply is fairly constant throughout the year and societies usually pay their members on the basis of its butter content. There are over 2000 societies of all the three classes and they handle about 80 per cent of the milk produced in their regions. They have their own departmental and regional federations and a national federation and a national union.

Co-operative "vintries" or wine-making societies play an important part in the agricultural economy as well as the national economy of France. They manufacture several varieties of wine and many have undertaken the manufacture of industrial and pharmaceutical alcohol from the by-products of wine manufacture. Groups of societies have set up co-operative distilleries which cover a large area and wherein individual farmers are also admitted as members. They have a peculiar method of holding general meetings. The members in each village in the area of a distillery meet and elect representatives for the general meeting to be held at the headquarters of the distillery. There is no limit to the number of representatives from each village, but they exercise at the general meeting the same number of votes as were cast in their favour at the village meeting. This system of voting is reported to be helpful in securing large attendance at village meetings and reducing contests in the selection of representatives. For technical advice they have set up their own resea.ch institute, the Regional Co-operative Wine Institute at Montpellier. There are about 900 co-operative "wineries" with 188,000 members, 460 distilleries making brandy and pharmaceutical alcohol and 44 distilleries making industrial alcohol. Most of the societies have their own cellars for maturing wine.

As regards co-operative marketing, in addition to the many requirements societies which function as general purposes societies and undertake marketing of grain, fruit and vegetables, there are a few special marketing societies for grain and for fruits and vegetables. Grain marketing societies developed in the thirties of this century when there was slump in wheat prices and the State established

a wheat office to control the prices of home grown and imported wheat. Many marketing societies and other agricultural co-operatives took advances from the N. A. C. B. and constructed warehouses. There are now about 1000 societies with about a million members. Some of them have undertaken other activities as milling, production of seeds, etc. The Cereals Office which has now taken the place of the former Wheat Office grants short term loans to societies up to 20 times their share capital for grant of advances to growers, who store grain in the warehouses, on the security of such stored grain. Like other types of societies they have their departmental federations and unions and also a national federation and a national union. Both the national organisations, however, do advisory and trading functions.

The national fund for the modernisation and equipment of agriculture has given a stimulus to the co-operative marketing of fruits and vegetables and societies for the purpose developed rapidlv after 1945. They attend to grading, packing and despatching of fruits and vegetables in cold storage trucks to Paris and countries abroad. A few societies have undertaken canning of fruits and some have interested themselves in the supply of seed patatoes, herbage seeds, medicinal and aromatic plants and flowers. The fruits and vegetables are also disposed of to consumers' societies on a contract basis.

There are miscellaneous other agricultural co-operatives such as beet sugar factories, olive oil presses, starch factories, etc.

(*v*) *Mutual Insurance Societies*:—Agricultural insurance societies covering fire, livestock, hail and personal accident have made remarkable progress in France. They have been in existence for nearly a century. A considerable part of rural insurances is done through them.

Rural insurance falls under two classes, viz., (*i*) insurances covering fire, hail and livestock which are of a voluntary and economic character, and (*ii*) health and accident insurances which are social and obligatory where

there are employees. Societies for the latter class of insurances developed after the introduction of national social insurance into agriculture in 1930. According to existing laws in France, each type of insurance, whether it comes under the first or the second class of insurances, should be handled by a separate co-operative society. There are likewise separate regional societies undertaking re-insurance. Though they are united in the national organisation, the two classes of insurance are kept separate in two distinct and separate sections, one dealing with voluntary insurance and the other dealing with compulsory social insurance.

Of the societies for voluntary insurance, those for fire insurance are widespread and numerous. The minimum membership for a society is seven. Both agriculturists and rural artisans are admitted to membership. The management of a society vests in a committee elected usually for four years, half retiring every two years, and a paid secretary cum treasurer. The internal audit is entrusted to two auditors elected by the members. Each member has only one vote. In regional societies, however, each member society has one vote for every 100 of its members. Members pay a small entrance fee at the time of admission and later annual premia on the amounts of insurance. The insurance policies are generally for a period of five years. The insurance risk is shared by the local society with a regional society of which it is a member. The regional society in turn re-insures with the national insurance association and sometimes with private companies. Fire accidents should be intimated to the society within 48 hours and the society on receipt of intimation deputes two persons, preferably those who were present during the accident, whether members or non-members, to estimate the damage. Societies create a reserve out of surplus income and members are compensated from out of this reserve. The regional societies generally maintain a "First Aid Fund" to meet heavy losses in local societies in the first year's operations. When societies have built up adequate reserves, part of the annual surplus income may be utilised to pay back the premiums paid by old members

or they are exempted from payment of insurance premia for one or two years. The regional societies have strict control over the accounts of their affiliated societies and they fix the premia on all insurance proposals received by the affiliated societies. The Government have helped the organisation and development of these societies by the offer of a foundation subsidy to cover initial costs and also subsidies in cases of abnormal losses.

Co-operative livestock insurance is less developed probably because the valuation of livestock and assessment of loss is comparatively difficult. Co-operatives insure cattle and horses only. They ensure that the members take proper care of their cattle and horses and value them every three months once through a group of volunteer members who inspect them in the villages. They also require the members to call in a veterinary surgeon in cases of disease and generally the costs of such veterinary aid are shared between the owner of the cattle and the society. The insurance is usually effected for a year at a time. Members are free to leave the society whenever they like, but a member who has received compensation for the loss of his animals is required to continue his membership at least for a further three years unless he has left the district. Local societies, in similar circumstances, are obliged to continue their membership in the regional society for five years. They also share the premia with the regional society half and half. The regional society maintains an account for each local society and if this account shows a credit balance, it returns to the society a part of the profits realised on account of business with it. When a regional society is liquidated, its funds are utilised for some public purpose of an agricultural nature.

Societies insuring standing crops against hail usually cover a wide area and are almost regional in character. The premium in the case of hail insurance is very high and societies generally re-insure bulk of their business with the national insurance association. The insurance is normally for the life of the society, though it may be terminated at the end of five years.

Though social insurance is compulsory, societies for social insurance are democratic. There are three classes of members, viz., workers, employers and the self-employed and include all rural workers such as artisans, agricultural labourers, etc. All the three classes of members make contributions to the society for medical attention, temporary and permanent disability and death. There are also co-operative societies for family allowances and they developed after the introduction, in 1936, of compulsory family allowances to all categories of employees including agricultural labourers. The system of family allowance provides for the payment to the worker of a fixed sum for each dependent child in addition to his regular wage so that workers who happen to have large families are not worse than those who are un-married or who have no children. All employers of agricultural labourers are required to become members of co-operative societies and contribute to a compulsory compensation fund in charge of their societies. The employers make equitable contributions irrespective of the number of dependents of their workers. The basis of contribution is determined by the State. From out of the fund in charge of each society statutory allowance is paid to each child of the workers under thirteen years of age. The Government grant subsidies to societies to meet losses which cannot be met out of contributions in the case of family allowances. The social insurance societies are regional in character, though a few of them have local branches.

The Government have established a number of regional insurance offices to supervise the work of insurance societies.

General features of the movement :—

(1). Unlike Italy, Germany and Russia where the movement was affected by political changes, the French movement has never been interrupted by politics.

(2) Nor has the movement been affected by inflation or depression because of the close association of the State with the movement and the liberal fiscal help by way of grants and loans.

(3) Because of the liberal provision of grants and loans by the Government, the co-operatives have, to a large extent, lost local initiative to find funds of their own and depend, rather too much, upon the State for fiscal help.

(4) The movement was spontaneous and so far as the agricultural co-operative movement was concerned, the agricultural syndicates had played a great part in its promotion and still wield considerable influence over it.

(5) The movement is specialised and the mingling of functions is discouraged. This is especially so in the case of credit and insurance societies and in a lesser degree in the case of supply and marketing societies.

(6) The credit structure occupies a predominant position in agricultural co-operation and is the centre of co-operative activity in most districts. The regional agricultural banks exercise strict control over local credit banks and their transactions.

(7) Co-operative agricultural insurance is more fully developed than in any other country.

(8) One characteristic feature of French co-operation is its regional integration. In other words, there is a tendency for amalgamation of societies and absorption of smaller societies by the larger societies and opening in their places branches in charge of agents who are paid commission on business transacted. Thus there are regional societies undertaking varied productive and processing activities and services in the consumers' movement and the agricultural movement (regional requirements societies).

CHAPTER VI

DENMARK

Introductory:—*"There is one small country" says Prof. Gide, "where co-operation has developed to an extraordinary degree more than any other country, not excepting England, and that is Denmark." It covers an area of about 17,000 square miles equal in extent roughly to four districts in Madras State. It is a land mostly of small holdings and agriculture is its chief industry. The peasant proprietors have more fully utilised the land than elsewhere and farming is one of mixed farming. Agriculture occupies an important place in the national economy and its vital position is largely due to high specialisation, adoption of intensive technique and the application of the co-operative principle to farming methods. The farmers have concentrated their attention on dairying, pig rearing and poultry breeding to such an extent that nearly 90 per cent of the farm income is from these sources.

Co-operative principle has been used extensively for various purposes. Agriculture is co-operatively organised from beginning to end and over 90 per cent of the farmers are members of co-operative societies. Agricultural co-operation has made tremendous progress. Denmark is said to lead all other countries in co-operation. It is hailed as the world's co-operative model and experiment station of the co-operative movement. Co-operation in Denmark is completely voluntary and not subject to any regulation. In spite of the absence of a co-operative law, societies being either unregistered groups or registered companies, the co-operative movement is in a flourishing state. Co-operation plays its part in almost all important activities of the nation and it is no exaggeration that it is co-operation that has raised this small country to its present high level.

Origin and development of the movement:—In the middle of last century Denmark was like England or other agricultural countries of Europe and its chief exports were

* Consumers' Co-operative Societies by Prof. C. Gide.

wheat and cattle to England and Germany. The two Wars with Germany, the prohibitive tariff imposed by Germany and the competition of wheat from America, Argentina and Australia deprived it of its export markets. These external factors severely affected the Danish agriculture and compelled the farmer to change his methods of agriculture in order to avoid economic ruin. He began to concentrate his attention on dairying in which there could not be any competition, at that time, from overseas countries. Bacon and egg production became auxiliaries to dairying. The skim milk from the dairy industry enabled the farmers to keep more hogs. But co-operation was not first introduced by the organisation of co-operative dairies but by the organisation of a consumers' stores in the town of Thisted by a clergyman, Christian Sonne. The progress of the stores movement was very slow. The farmers, however, caught the co-operative idea and began to apply it to their agricultural industry. The fisrt Hjedding co-operative dairy was erected in 1882 and the first co-operative bacon factory in 1887 and their successful working won the people's confidence in co-operatives. Today co-operatives are to be seen almost in every town and village and for diverse purposes. Hundreds of co-operatives now assist the farmers in the production of butter, bacon and eggs and their marketing. Though Denmark is known throughout the world for its remarkable success in agricultural co-operation, in point of number and membership, consumers' societies lead all other types of societies. In 1950 there were about 2000 consumers' stores. Next come the feeding stuff societies and fertilizer societies each accounting for over 1600. There were 1309 co-operative dairies, 1005 egg export societies and 75 bacon factories. There were also several other types of societies such as co-operative bakeries, housing societies, building and contractors' societies, co-operative canteens, fuel soceties, productive societies, insurance societies, cement factory, sanatorium association, etc.

Credit on Raiffeisen lines has not developed in Denmark. Only recently a few village banks have been founded and financed partly by consumers' societies. But

they occupy a secondary place in the co-operative movement. In 1950 there were 75 village banks and 53 of them have combined into a federation. The Co-operaive Bank (Andelsbanken) with its 94 branches is also a financial institution of the movement. The absence of co-operative credit on any large scale is attributed to two factors, namely the democratic level of private banks which are able to meet the needs of the co-operatives and the nature of the agricultural industry. Unlike the farmers in other countries who depend on a single harvest for their income, the Danish farmer gets a steady income from his farm all the year round through his dairy products, bacon and eggs, and does not find any need for short term credit. For long term credit for such purposes as purchase of livestock, machinery, etc., he joins a group with other farmers and obtains funds from commercial banks or savings banks, on the basis of unlimited liability.

The co-operative dairies occupy an important place and it can be said that the co-operative movement of Denmark centres round the co-operative dairies.

Consumers' Societies:—*Prof. Gide has stated that "as industrial districts are more favourable for the development of consumers' co-operation than for agricultural co-operation, it follows that consumers' societies thrive better in towns than in the country." According to him "they are products of urban life." Denmark, however, is an exception to this statement. In fact all the scandinavian countries are exceptions. The consumers' movement in Denmark is both rural as well as urban and the vast majority of consumers' societies are in the rural parts. Though the consumers' movement originated in town, its development in the urban area has been slow. This is because Denmark is an essentially agricultural country with dispersed industry and the urban rural cleavage is less marked than in Central Europe and Britain. Further there is relatively a high standard of living and the agricultural production is keyed to an export market. The farmer also makes substantial purchases, as only eggs, milk, some wheat and vegetables are produced on his farm.

* Consumers' Co-operative Societies by Prof. C. Gide.

Many rural consumers' societies handle also agricultural requirements. It is explained that in a country of small farmers, economic requirements cannot be separated into water-tight compartments. The consumers' societies are on the English model, viz., selling at market price, for cash, and distributing the surplus among members in proportion to purchases. Each member has only one vote.

According to Danish trade laws, every merchant and manufacturer must be licenced. A co-operative stores is exempted from this obligation, if it distributes goods to members only and a co-operative dairy if it receives milk from members only. If they have transactions with non-members, they must be licenced. Many consumers' stores have, therefore, confined their sales to members only. This is especially the case with big urban societies and their branches. The law restricts, with a few exceptions, that no retailer can have within the municipality more than one shop. This limitation is said to have hindered the growth of urban consumers' stores. Societies which deal with members only are exempt from taxation. The consumers' societies are all based on unlimited liability.

The consumers' societies are affiliated to the Danish Co-operative Wholesale Society, generally known by its initials F. D. B. (Fællesforeningen for Denmarks Brugsforeninger). It has its headquarters at Copenhagen and supplies a great deal of the requirements of retail societies. Not only does it import goods, put also produces a considerable number of commodities such as shoes, bicycles, etc. It also supplies to societies seeds and manures and for this purpose it works in conjunction with the Society for the Supply of Seeds (Danske Landforeningers Froforsyning) which produces seeds of good strains on its own farms and hands over the entire production to the F. D. B. for sale to the farmers. The F. D. B. also functions as an organisation for propaganda and information and publishes a paper. It provides advisory and auditing service to the consumers' movement and conducts a school for training employees of consumers' societies. It has several branches throughout Denmark. In 1947, with its financial support,

a Co-operative Theatre Organisation was established. *"It is based upon local theatre circles, of which the members of the consumers' societies form the majority. The population of the Danish provinces had often had to be content with second rate travelling theatres, but now the co-operative organisations will supply the whole country with first rate plays and first rate actors. It can be arranged relatively cheaply, because it is possible to plan and co-ordinate performances without waste through much travelling or too many evenings without a performance."

Co-operative Dairies :—Co-operative dairies play a prominent part in Danish agricultural economy. They are of the greatest value and importance to the farmers especially those owning small farms, as they bring in "a steady stream of cash." Dairying is perhaps the largest industry in Denmark and the agriculturists owe their prosperity to it. In 1950 there were 1309 co-operative dairies handling over 90 per cent of milk delivered to dairies. Their successful working is largely due to the high quality of their butter bearing the national trade mark, "Lur Brand" which is familiar and popular throughout Great Britain.

When in the latter half of last century the farmers began to shift their attention from production of cereals to dairying, many private dairies came into existence. But in a couple of years nearly all of them failed, as the suppliers of milk deserted them for better market or the dairies had no adequate capital. Further, they could not ensure the quality of the butter produced by them, as the suppliers had no interest in their working and consequently paid no attention to the quality of milk supplied by them. They were also faced with the problem of the disposal of the skim milk. It was at this time that the first Hjedding Co-operative Dairy was organised due to the efforts of a young man, Stiller Anderson. The dairy started with the milk of about 400 cows, Stiller Anderson himself supplying the milk of 100 cows. This dairy, because of its regulated working was able to obtain a good price for its butter and the farmers were able to get higher prices for their milk. The success

* Year Book of Agricultural Co-operation, 1951.

of this co-operative venture gave an impetus to the rapid spread of the movement.

The working of a Co-operative dairy:—The co-operative dairies work on the basis of unlimited liability of their members. They usually raise the capital required for erecting the dairy machinery by a loan from the commercial or savings banks on the joint and several responsibility of their members. Within the society, the liability is generally apportioned among the members in proportion to the quantity of milk delivered during the currency of the loan. The loan is rapid in annual instalments from the profits of each year. The working capital is provided by the members at the rate of a fixed sum for each cow owned by them. No interest is paid on this amount. When the first loan taken for capital expenditure is repaid, a new loan is obtained from the bank and this amount is handed over to the original members on whose joint and several responsibility the first loan was taken. The second loan is also repaid from the profits of the society in the same manner as the first loan was repaid and this process is repeated indefinitely. This method has been adopted with a view to place the old members, who had undertaken the responsibility of repaying the loan, in an advantageous position over members admitted into the society after the loan had been taken. The new members are required to pay only towards the working capital of the society a sum at the rate per cow prescribed by the society. The members bind themselves to supply the entire milk of all their cows, except the quantity required for the consumption of their families. Non-compliance with this obligation is punished by levy of fines and if the member persists in the violation of the contract, he is expelled from the society. The society's van goes round in the morning and collects milk from the members' farms. Sample of the milk supplied by each member is tested and later the milk is pasteurised. The cream is separated from the milk and churned. Butter and butter milk are obtained. By noon the work of the dairy is over. The milk is paid for according quantity and quality, that is on the basis of the amount of butter fat it contains. Payments are made once a fortnight or month. The skim milk and butter milk are returned to

members who use them for feeding cattle and pigs. The surplus income of the society is distributed among the members, at the end of the year, in proportion to the milk supplied by each member. Though there is no co-operative law, the dairies have their own strict regulations concerning feeding, milking, etc. Dirty feeding and adulteration are punished with levy of fines and members who do not improve are expelled from the society.

For marketing butter, the co-operative dairies have federated themselves in eleven butter export associations. They bind themselves to supply all the butter which they make, except that required for the use of their members, to the associations. The associations have their own agents in foreign markets. The butter is paid for according to quality and market quotations at Copenhagen. At the end of each year, the butter export associations (B.E.A.) return the surplus to the dairies in proportion to the amount of butter supplied by each. Dairies are not permitted to withdraw in the course of a year, but only at the end of the year and notice of withdrawal is always insisted upon. They hold themselves jointly liable for the debts of their export associations. In some associations the liability is limited to a fixed amount. In the general meeting of the association the dairies are represented by their delegates and managers. The general meeting elects the directors and the auditors, and the directors appoint a paid manager to carry on the business of the association. The general meeting of a dairy also likewise elects directors and auditors. Some export asociatsions have admitted private dairies also. At Copenhagen, a committee which includes also private butter manufacturers and dealers, fixes the price of Danish butter at the beginning of every week and the price is modified oftener, if necessary, according to market conditions, keeping in view that the stock received in a week should be disposed of before the end of the week so as to avoid butter getting deteriorated. Nor is any speculation made in marketing.

Ever since the thirties of the present century up to 1950, the export of the main agricultural products, viz., butter, bacon and eggs was subject to Government supervision and

regulation through special export committees for each product. In 1950, when these committees were abolished, the farmers' organisations, both co-operative and private, felt the need for the continuance of the committees in the interests of the export trade and established their own committees for each product on the same lines as the former Government committees. The co-operatives have considerable influence in these committees in view of the large volume of trade in these products in their hands.

Nearly all the butter exported from Denmark goes to Great Britain. All Danish butter intended for export is required, by law, to have the "Lur Brand" trade mark. Lur is said to be the name of an old Danish war trumpet which used to be sounded in pairs. The credit for introducting this "Lur Brand" goes to co-operatives which first used this trade mark.

In recent years, owing to an increase in the price of cheese, the dairies have taken up the production of cheese also for export. As many of the dairies have neither the necessary machinery for cheese production nor sufficient accommodation in their premises for ripening and storing of cheese, they have formed societies for cheese production and marketing. For the marketing of cheese they have established a national organisation. For storing cheese they have again combined to have co-operative cheese-storing plants. They have also established their own factory for the manufacture of dairy machinery.

The co-operative dairies have also combined, for other than economic purposes, into district associations and three provincial federations. Above them all is the Central Organisation of the Danish Dairy Associations. These organisations protect the common interests of the dairies and collect and maintain statistics regarding co-operative dairies.

Factors which contributed to the remarkable success of Co-opertive dairies :—

(*i*) First and foremost is the high sense of loyalty of the members. By a self-imposed discipline, they bind themselves to supply to the dairy all the milk they produce

except that required for their domestic consumption, on pain of fines and even expulsion from the society.

(*ii*) They take considerable pains to improve and maintain both quality and quantity of the milk yield of animals. They pay particular attention to the feeding of animals so as to ensure that the animals yield not only large quantities of milk, but also that the milk is rich in flavour and butter content. They scrupulously avoid dirty feeding of animals which will spoil the flavour of milk. They study the systems of feeding and take expert's advice. The animals are fed on grains, cultivated grasses and roots raised in their homes as well as cereals and concentrates imported from abroad through their feeding stuff societies. They are stall-fed and feeding is done systematically. They are practically life-long prisoners except when they are taken out for washing. The farmers have a number of what are called "control societies" whose object is to judge dairy cattle according to yield, food consumption and quality of milk and gradually eliminate those cows which are unprofitable to breed and arrange for the breeding of the best "butter cows." Each control society has a control assistant who visits members' farms, in rotation, with the control apparatus. The members pay a small entrance fee for each of their cows to be tested by the society and bear the annual expenses of the society according to the member of cows they have admitted for test. To breed the best "butter cows" they have a large number of cattle breeding societies which receive a great deal of support from the Government. Apart from quantity and quality of milk, the members see to it that there is uniform standard and even production throughout the year including winter. The winter production of milk and even supply of butter all through the year coupled with better grade and high quality have brought Danish butter a better market in Great Britain than that for Irish butter, though Ireland had been supplying butter to Britain earlier. For the Irish farmer is relying on summer pasture and is unable to maintain supplies to Great Britain during winter.

(*iii*) In order to maintain quality, the dairies pay for milk on the basis of its butter fat contents.

(*iv*) Regular payments are made to members, thereby ensuring the loyalty of the members.

(*v*) Butter is made under most modern conditions and on up-to-date lines. Special attention is paid to techniques and for this purpose experts are engaged. The federations are in close touch with the latest improvements in dairy machinery and communicate them to their members promptly. In fact they provide the medium through which the farmers are well informed on all matters relating to dairying.

(*vi*) The farmer gets the best price for his butter through the best possible marketing facilities provided by the butter export associations which have accurate knowledge of market conditions. These export associations prevent unhealthy competition and undercuts by the dairies themselves and speculative agencies between the farmer and the consumer. They not only relieve the farmer of the cost and trouble of marketing his individual produce, but also demonstrate how even a small farmer can sell his produce as economically as the owner of a large estate. There is considerable economy in charges, e. g., cheap transport, scientific packing, etc., and regular despatch of uniform quality and quantity through large scale organisations.

(*vii*) The State controls the quality of butter through its control services. All butter intended for export has to bear the "Lur Brand" trade mark. Under the Ministry of Agriculture there are three control services, namely for livestock, dairy produce and eggs, and meat and bacon.

Co-operative Bacon Factories:—When dairying became general with the farmers, pig-breeding was thought of as a profitable means of utilising the skim milk and butter milk, which were the by-products of the dairy industry. Therefore, pig breeding and bacon industry came to be largely influenced by the dairy industry. There were no bacon factories in the beginning and the farmers used to despatch their pigs to other countries. They had no control over the weighment of pigs, their grading or value. In order to overcome these drawbacks, co-operation was extended to the bacon industry also. The first co-operative bacon factory at Horsens was established in 1887 in the face of considerable opposition

from private bacon factories and dealers. Unlike the co-operative dairies, the progress of bacon factories was slow. The private factories and dealers raised the price of pigs with a view to hamper the working of the co-operative factory. There was agitation from the members also, especially from the larger land owners, to close the factory. But there was growing demand for Danish bacon and the small farmers were enthusiastic about the co-operative venture. The chief promoters of the first co-operative bacon factory thought that they could effectively put down the competition from the private bacon factories and dealers, if they could improve the quality of bacon. They, therefore, bought a large number of high bred boars and sows and stationed them round about the factory so that the members could improve their stock of pigs. This step proved successful and the co-operative bacon factory became more and more popular. As in the co-operative dairies, the members of the co-operative bacon factory also bound themselves to supply their pigs to the factory. Gradually more bacon factories came into existence. The binding contract entered into by the members of the co-operative bacon factories could command a steady supply of pigs which the private factories could not ensure. Private competition gradually went down, as the co-operative factories grew in number and strength and maintained production as near perfection as possible. With the development of the dairy industry, pig rearing also increased and there were more co-operative bacon factories and greater volume of business. In 1950 there were 75 co-operative bacon factories.

The co-operative bacon factories have combined to form the Danish Co-operative Bacon Trading Co., Ltd., in London (a company incorporated in Great Britain) for selling bacon on the London market. Its capital was furnished mainly by Danish co-operative bacon factories and a small portion by importers including the English and Scottish Co-operative Wholesales. This company has branches all over England and Scotland and a fleet of vans which reach retailers in all parts of the country as quickly as possible. It handles about one-third of the total bacon exported from Denmark to England. The profits are

shared equally by the members and customers who make purchases regularly for at least three-fourths of the year.

The bacon factories are also united in the Union of Danish Co-operative Bacon Factories at Copenhagen. The union has been of considerable service to the factories and the State. It has effected a cheap marine insurance for bacon. Along with the factories it has taken considerable interest in improving the breed of pigs with State aid. It has opened a number of breeding centres from which farmers can buy breeding animals. It maintains also experimental stations for ascertaining the breeds and feeds which will give the greatest increase in weight for pigs. It purchases and supplies all the requirements of the bacon factories.

As in the case of dairy produce, the State has ordered that all bacon exported from Denmark should bear the national trade mark which resembles the "Lur Brand." The law also requires that all slaughter houses should be registered and that all animals should be examined by the veterinary surgeons appointed by the State.

Co-operative Cold Store Houses are recent developments in the bacon industry. They fulfil a long felt need of the industry for the preservation of meat, which previously was done by salting and smoking. As it was uneconomical and costly to have individual refrigerators, the farmers combined to have a common co-operative cold storage. Several co-operative societies for cold storage have been established, sometimes jointly by co-operative bacon factories, co-operative dairies and co-operative consumers' societies. Each society has a freezing-house with a number of lockers (boxes) and each member has his own locker, where he can have his meat stored for short or long periods. The number of lockers in each freezing house depends upon the strength of the members of the society. The co-operative freezing-houses have combined into a national federation for purposes of common interest such as the purchase of equipment and advisory services on technical matters.

The working of co-operative bacon factories:—The organisation of a co-operative bacon factory is similar to that of a co-operative dairy. The method of obtaining funds for capital expenditure is also similar, that is, on the joint and several responsibility of members. As a bacon factory requires a larger capital than a dairy, the area of operations of a factory is wider and the members do not know each other as those of a co-operative dairy. Therefore, the joint and several liability of the members has been slightly modified. The area covered by a bacon factory is divided into local sub-areas and the members within each sub-area are jointly liable for the sub-area share of the financial obligations of the bacon factory. In order to avoid hardships to members who are far away from the factory, the factory generally bears the charges for transport of pigs to the factory. Pigs are paid for by dead weight. The co-operative bacon factories have brought about an improvement in the breed of pigs and their increased number and importance in Danish agriculture. They do not waste any by-product. They have undertaken lard-refining, sausage making, manufacture of manure out of blood and bone, etc. Some of them also manufacture tinned meat. These activities are said to "tie-in" or "dove-tail" with the main bacon industry.

Co-operative Egg Export:—The production and sale of eggs in Denmark, in the last century, was only casual and not systematised. The success of the co-operative dairies and the bacon factories opened the eyes of the farmers to the possibility of increased income by the standardisation of quality and bulk marketing of eggs on co-operative lines. So, in 1895, the farmers organised the Danish Co-operative Egg Export Society (Danish Andels Oegexport), at Vejle in Jutland, to collect, store and sell eggs themselves. Later in 1900, the society shifted its office to Copenhagen. It has branches all over the country. Each branch bears a distinctive number and each member is similarly given a number for the purpose of identification. Each local branch must have a minimum of ten members and its by-laws should be in conformity with the by-laws of the central society. The by-laws of the branch make it obligatory for

members to deliver all the fresh eggs produced, except those required for consumption by their families. The members collect the egg daily and deliver them to the branch once a week. Every branch has one or more collectors to whom the eggs are handed over by the members. The eggs are stamped with the number of the local branch and of the individual member. The by-laws lay down that no member should deliver eggs which are more than seven days old and members who deliver long-kept eggs or bad eggs are punished with fines. The idea of numbering the eggs is to enable the society to trace the member who supplies bad eggs or when any complaint is received. The local branches are members of the central society, the D. A. OE. The by-laws of the central society are binding on the branches. Each local branch has an elected committee which elects a delegate to represent the branch in the general meeting of the central society. The central society has a managing director and four other directors elected by the general meeting. It distributes one-half of the net surplus at the end of the year to the branches in proportion to the value of eggs sent by them during the year and retains the other half of the surplus for reserve fund and working capital. To the extent of this sum the local branches are gvien credit in the same proportion. The liability of each branch for the debts of the central society is restricted to its share in the reserve fund and working capital. Dividend not exceeding 4½ per cent is paid annually to the local branhces on these shares. The branches after collecting the eggs from their members, despatch them to the nearest packing centre of the central society, which has 21 such centres, for sorting and packing. At these centres, eggs are candled, cleaned when necessary, graded according to weight and packed for transport. The trade mark of the central society is also stamped on each approved egg next to the two members already stamped by the branches. Eggs are paid for by weight. In 1950 there were 1005 local branches or egg export societies.

The centres of the D. A. OE also preserve eggs to be sold during winter as "pickled eggs." The D. A. OE has

done much to improve the quality of eggs by encouraging members to have improved poultry-keeping. It holds annual competitions and awards prizes to the best stock of poultry which are good egg-layers. These competitions are utilised for selecting the best strains of poultry for spreading among members. The D. A. OE. now handles about 32 per cent of the eggs exported from Denmark besides 31 per cent of those sold in the home market. The progress in co-operative egg export is not as marked as in butter and bacon, as eggs are the perquisite of the farm women and are often sold locally. But it should be said to the credit of the co-operatives that they have built up a reputation for Danish eggs in England to which almost exclusively eggs are exported. The system of marketing eggs introduced by the D. A. OE. impresses the English consumer that marked eggs are more reliable than others. The D. A. OE. has brought about a revolution in the Danish egg trade and a higher price for the producer. It has forced private dealers to raise their standards too.

In addition to the egg export societies, several bacon factories and dairy federations also collect and dispose of their members' eggs on the lines of the D. A. OE.

Other types of co-operatives:—Denmark has several other types of societies. In 1949 there were 1648 feeding stuff societies, 40 co-operative bakeries in the urban areas making rye bread and having their own federation, laboratory and flour mill and a number of workers' productive societies concerned with building construction and public works. It is estimated that one-third of the modern dwellings in Copenhagen were built by the housing societies. There are also co-operative canteens operating in big industrial enterprises. The Danish Sanatorium Society, formed by over 1000 co-operative societies of different types, has a sanatorium in a park of 53 acres and provides accommodation for over 100 convalescents. There are two central organisations engaged in the purchase of coal from abroad. In 1937 there were 283 rural electricity co-operatives supplying one-fourth of the total electric energy consumed in the country. There are also co-operative hospitals and a co-operative insurance society

operating among the rural people. Since the end of the second World War co-operation has been extended to more new activities. Reference has already been made to co-operatives for cheese production and marketing, co-operative cold store houses and co-operative theatre organisation. Other new branches of co-operation are the co-operative machine stations. Owing to scarcity of labour and high wages, mechanisation of Danish farming has become common. As the Danish farms are small and as it is uneconomical, costly a d unnecessary for each farmer to have his own tractor and other agricultural machinery, farmers have organised co-operative machine stations for the joint use of tractors and other agricultural machinery. These stations place the tractors and implements at the service of the members on a basis of fixed contracts. The members pay a general fee and, in addition, they pay for the work done at usually per tractor-hour. The profits of the machine stations are utilised to improve the machine pool, provide new services and reduce charges for the services. The machine stations have their own National Federation of Co-operative Machine Stations.

Co-operative laundries are also new types of co-operatives having their own national federation. In 1950 there were about 25 laundry co-operatives of wihch 18 had built up laundry houses and fitted up labour saving equipment. There is also a co-operative publishing society. In order to face competition from private traders, the Danish Co-operative Machine Purchase Society was established in 1947. The original idea was to import machinery. But import restrictions and boycott from all private machine factories and importers made the society buy a factory of its own for making agricultural machinery and implements.

Co-operatives of all types have, for common interests, united in the Central Co-operative Committee and the Urban Co-operative Union. The farmer is the older and originally represented the movement as a whole. In 1917 the Federation of Danish Co-operative Societies was formed. The Central Committee acts as the managing committee of the federation. The federation calls annual meetings of delegates which discuss the financial position

of societies, the audit of their accounts, etc. The Central Co-operative Committee is concerned with the common problems of the co-operative movement and its relations with Parliament, International Co-operative Alliance, etc. It publishes a weekly co-operative paper "Andelsbladet", and various reports and statistical information. The Urban Co-operative Union, which was established in 1922, has also similar objects regarding the urban societies affiliated to it.

Special features of Danish Co-operation:—

(1) The Danish co-operative movement is completely voluntary and not subject to any regulation. Even in the absence of a co-operative law, the co-operatives have been in the flourishing state, as they have rigid regulations of their own. They have introduced the self-imposed discipline of the binding contracts between them and their members under which members bind themselves to supply all their agricultural products to their co-operatives, except those required for their family consumption. This system accounts for the steady supply of milk to dairies, butter to butter export associations, pigs to bacon factories and eggs to the Egg Export Society and for the successful working of the societies. Violation of binding contract is punished with fines and even expulsion from the society.

(2) There is a high sense of loyalty among members to their societies.

(3) Danish co-operation is characterised by the high degree of specialisation. A farmer is connected with several types of co-operatives and there is perhaps no business which he does not transact through a co-operative. All his economic needs are served by co-operatives. The local societies confine themselves to solve only one problem each. For any new object a new society is formed. Thus there are societies for the supply of feeding stuffs, societies for the supply of fertilizers and seeds, societies for testing milk, societies for cattle breeding, societies for butter making, societies for selling butter, etc. Such specialised co-operatives enable them to enlarge their activities and perform all the functions (with regard not only to marketing but also

to supply and service) which make for the highest commercial quality in the commodity and its by-products, and for lower costs. Though this statement is particulary true of marketing co-operatives, it applies equally to all specialised societies. As Dr. Fauquet has stated, "homogencity can best be achieved by the co-operative organisation of sales on the basis of a single commodity." The concentration of one activity helps to develop that activity to perfection.

(4) Members and societies pay special attention to quality of the goods they produce. Farming is treated as a fine art. They have their own experimental stations where systematic study is made of the feeding of a cow, hog and chicken and of the improvement of breeds and strains with a view to improve both quality and quantity. They keep themselves in touch with the latest improvements and techniques in the industries which concern them, adopt them promptly and keep production as near prefection as possible. Societies have employed experts for this purpose.

(5) Danish co-operation is characterised by practical work. Members think less of their co-operatives than the technical side of the business. They believe in practical results which bring in new members than propaganda.

(6) The local societies form the backbone of the movement. Though they form into a number of federations, they maintain their independance. The several federations work in harmony.

(7) Co-operatives pay equal attention to production, marketing and supply.

(8) The movement is neutral to politics and religion.

Causes for the remarkable success of Danish Co-operation :—

(1) Denmark is a small country with a homogenous population and a system of land tenure under which lands are largely owned by small farmers. The State helped the tenants with funds to buy lands. Division and sub-division of large estates took place so rapidly that the State had to intervene and prevent fragmentation of holdings by legislation.

(2) The nature of farming in Denmark is also congenial for the development of the co-operative movement. Farming is of the mixed kind and highly developed.

(3) The Danes have a natural disposition for co-operation. From ancient times they are accustomed to manage their village affairs in common and have learned to co-operate.

(4) The Danes are characterised by practical work. Societies set themselves to solve problems which confront farmers and the farmers put the results of their research into operation.

(5) The Folk High Schools, the Agricultural Schools and the Rural Schools for Women for Household Economics have raised the Danes to a high standard of social and educational conditions. They have played a great part in preparing the background required for a sound understanding and application of co-operative principles. They have been described as "hot beds" of the co-operative movement. They have provided both general and technical education to the people. The Young Farmers' Clubs have enlisted the creative enthusiasm of the youth which in turn facilitated the growth and development of the co-operative movement.

(6) The farmers keep their farm accounts well so as to facilitate the study and improvements in farming methods.

Some results of Co-operation :—

(1) Co-operation has changed the economic structure of the country and raised it to national prosperity.

(2) It has demonstrated how with mixed farming and application of co-operation to agricultural activities, even a small farmer can have income all through the year and be prosperous.

(3) It has demonstrated that a small producer need not fear a large producer and that it is possible for a small producer to buy and sell as economically as the owner of a large estate.

(4) Co-operation has afforded a solution of the difficult problem of how to counteract trusts and similar combines successfully. By standarisation of the quality of the products, the co-operatives have compelled trusts, combinations and private trade to adopt co-operative standards.

(5) Co-operation has freed the country of the several abuses in business.

(6) It has raised the standard of life and general culture of the farmers.

(7) It has educated and trained farmers to keep correct farm accounts.

(8) It has improved the character and mind of the people. The Danes co-operate with their neighbours, have no jealousies and suspicions and have a good team spirit.

(9) It has trained people in democracy. Training in democratic methods in co-operatives prepared them for politics. Denmark is now having a Government of farmers.

(10) It is a powerful answer to communism, socialism and captialism.

Denmark and England—a contrast :—A contrast is often drawn between the co-operative movements of England and Denmark, a country which is almost alike England and where neither soil nor climate nor other natural conditions allow it any special advantage. In England the movement started with consumers' co-operation in urban areas and only later the consumers' movement as well as other forms of co-oeprative activities spread to rural areas. The co-operative movement in England still continues to be predominantly a consumers' movement. In Denmark, on the other hand, agricultural co-operation took its root first and developed rapidly and other co-operative activities developed later both in the rural as well as in the urban areas. The co-operative movement in Denmark is predominantly an agricultural movement. In England, nearly all co-operative stores are in towns and 90 per cent of the members belong to the labouring classes in mills, mines,

railways, etc. The movement has spread to rural parts in reecnt years only. Agricultural co-operation occupies a small place in the English co-operative movement. The consumers' movement in Denmark is both urban as well as rural and a vast majority of the stores are in the country side.

This contrast in the development of the co-operative movements in the two countries is attributed to the contrast in agricultural and industrial conditions in the two countries. Agriculture, relatively to its industrial development, occupies an un-important place while in Denmark it occupies a vital position in the national economy. The history of Danish agriculture up to the middle of last century was the same as that of England. In England the evils of industrial revolution affected the working classes considerably. Their lot was much worse than the farmers. In the country side food was raised by the farmers in their homes and there was not much household shopping except sugar and tea. To a large extent the farms were self-supporting and, unlike Denmark, were not producing for any export market. The agricultural produce, moreover, in England was and still is dominated by imports. While on account of the industrial revolution there was an influx of people from the rural areas to the industrial areas, agriculture in England was not affected to the extent it was affected in Denmark. The industrial revolution affected the Danish agriculture severely, as it was producing for an export market. Steam ships flooded the European market with food grains from overseas countries and the Danish farmers were obliged to change their methods of agriculture, if economic ruin were to be avoided. Agriculture was reorganised to suit the changed conditions. In both the countries co-operation was applied to the solution of the local economic problems. In England, it was applied to give relief to the industrial workers by the provision of the domestic necessaries at cheap rates through consumers' stores. In Denmark, it was applied to prevent the farmers from economic ruin through helping them to improve and increase their production and to market the agricultural products.

Further, in England there is no peasantry. There are land-lords, tenant farmers and labourers but there is not the homogenity required to make a peasant class. The tenant farmers farm relatively large areas and a great deal of their agricultural requirements is supplied by the owners of the lands. The larger farmers are dealers as well as farmers and the small farmers are too isolated and have no social groups to organise co-operatives. The industrial working classes, on the other hand, had from the beginning ample opportunities for and experience in combination through their trade unions. They worked together in factories and lived together in workers' colonies.

In Denmark the land tenure is different. For a long time the Government saved the peasants from absorption by the large land owners. They provided financial aid to tenants to become peasant proprietors. So, in Denmark, nearly all holdings are free-hold properties worked by the owners themselves and bulk of them is small holdings. There is practically no class distinction in Danish agriculture. The farmers belong to one class namely owner-occupiers. This homogenity of the farmers is responsible for the success and development of agricultural co-operation. The Danes, moreover, have a natural disposition for co-operation and a relatively high standard of social and educational conditions.

We have so far discussed why consumers' co-operation in England and agricultural co-operation in Denmark took their roots first and developed rapidly. We shall now discuss the contrast in the consumers' movements of these countries. We have quoted elsewhere Prof. C. Gide's statement that "as industrial districts are more favourable for the development of consumers' co-operation than for agricultural co-operation, it follows that consumers' societies thrive better in towns than in the country." This statement is ocrrect so far as England is concerned. The consumers' movement there is predominantly an urban movement and has not spread much in the country parts. In Denmark, on the other hand, the reverse is the position though the movement there is both urban as well as rural. But it is strongest in the rural parts and a vast majority of

the stores are in the country side. This is because Danish agriculture is a "cash crop agriculture" highly specialised to a few things. In other words, the Danish farmer with his agricultural products keyed to an export market gets income from his dairies, bacon factories and egg export societies all through the year. They have relatively a high standard of living and make substantial purchases of their domestic necessaries. Therefore, the urban-rural cleavage is less marked than England. This peculiar position accounts for a stronger consumers' movement in the country side than in the towns.

There is a close connection between the consumers' co-operation of Great Britain and the producers' co-operation of Denmark. The former is the best and closest customer of the latter.

CHAPTER VII

SOVIET UNION (U.S.S.R.)

Brief history of the movement:—The history of the co-operative movement in Russia is closely linked with the political history of that country. It underwent changes with the changes in the Government and their policies. In the Czarist Russia it developed very slowly. The Czarist Government looked upon it with suspicion and did not favour its growth and development. Especially in the consumers' stores (selpos) and the industrial co-operatives (artels) they feared the thin end of the socialist wedge. At the end of the last century there were a few hundred co-operatives, foremost among them being agricultural credit societies. The Russo-Japanese War gave a fillip to the development of the movement. During the War the Government made use of co-operatives as food centres. The butter co-operatives flourished well and had almost the export monopoly. They combined the stores business as well. In fact it was a characteristic feature of co-operatives to undertake more than one function. In 1917, on the eve of the great revolution there were about 54,500 societies of which 16,500 were

credit societies, 8,000 agricultural co-operatives, 25,000 consumers' co-operative stores and 4,500 producers' co-operatives.

After the revolution, the movement began to develop rapidly and acquire greater importance. Immediately after the transfer of power, the Soviet Government turned their attenion to the seizure of the control of the nation's economy, as it was bad then, so as to consolidate political power. There was growing food shortage and scarcity of manufactured goods which resulted in increased distress among the people, especially the working classes. There was a civil war. The Government saw no other alternative except to nationalise industry and harness production to some central programme. There was also centralised allocation of supplies and centralised collection and distribution of products. The surplus produce of each peasant farm, over and above essential needs of subsistence and seed corn, was subjected to compulsory requisitioning. The collection of the produce and the allocation of it between the army and the industry and the main distribution centres for workers' ration was with the Commissariat of Supplies (Narcompad). It made use of the co-operatives as the agents of the State for this purpose. The Centrosoyus (the National Union of Consumers' Societies) came to be managed by Government direction. Government made membership in consumers' societies compulsory on the whole of the working classes and ordered the regrouping of the retail stores so that they could serve the entire population. The co-operatives had lost their voluntary character and the principle of democratic control. The consumers' stores were virtually arranging the distribution of the industrial goods from towns to country side and agricultural goods from country side to towns. This period up to 1922 came to be known as the period of "War Communism."

But it was not long before the Government realised the inadequacies of their "War Communism" methods, because of the extreme difficulty in securing from an ignorant and ill equipped peasantry sufficient supply of agricultural produce to feed the population. So, in 1922,

the Government promulgated their New Economic Policy (N.E.P.), which was a reversion to the old decentralised system of production and distribution. The co-operatives also reverted to their old independance and autonomous position. The progress of the movement in the N. E. P. period was gradual.

In the first 5-year plan (1928-32) which followed the N. E. P. period, there was a rapid growth of the movement. Under this plan there was industrial expansion and development, women were to be released from home labour for industry, peasants were to be enrolled in collective farms on co-operative lines and the retail distributive machinery was to be expanded to meet the needs of the workers in all new ventures. The co-operatives were called upon to undertake largescale agricultural farming and distribution of commodities. The plan completely changed the nature of tasks of the movement. The consumers' movement spread very rapidly. In agriculture peasant proprietorship was replaced by collective farming. Co-operative credit, marketing and supply societies were completely suppressed and their functions were merged in the collective system of agriculture.

At the beginning of the second 5-year plan, the consumers' movement was again suppressed in favour of State trading. Since 1935 the consumers' societies confined themselves to organising almost exclusively the entire distributive system of the Union outside the towns. In towns the State stores were doing the business exclusively. In 1946, however, the State again issued a directive to the consumers' movement to develop trade in towns and workers' settlements. Since then the consumers' movement has spread to towns also. Besides consumers' stores, there are producers' co-operatives, fishermen's co-operatives and collective farms.

Consumers' Stores:—The consumers' movement of the U. S. S. R. is the largest in the world in the matter of both membership and trade. It occupies a predominant position in the co-operative movement. Consumers' stores are to be found everywhere. They are the sole suppliers to the rural population and have recently taken up the

distribution work in the towns and workers' settlements. Though they work in conformity to State planning and are subject to the State control of policies, they are reasonably co-operative and efficient. Their membership and management are just like those of co-operatives elsewhere. As the entire co-operative movement forms part of the Soviet economy, the co-operative stores and other co-operatives have no problems of capital, supply, competitions, changes of taste or fluctuations of price.

*Persons over sixteen years of age are eligible to become members of the co-operative stores and membership is voluntary. Stores sell goods to members as well as non-members. They make their purchases from their owned funds (share capital and reserves) and when necessary borrow on reasonable terms from the State Bank and the Special Co-operative Bank for capital investments. In the matter of certain goods the Centrosoyus purchases wholesale and distributes to societies. Other purchases are made from State owned heavy industries, local industries, producers' co-operatives and the collective farms. As regards purchases from State owned industries, the Centrosoyus negotiates with such industries the terms such as quantity, quality, delivery dates, prices, etc., and the purchasing societies make purchases from the industrial enterprises according to these terms after entering into a contract with them. The Centrosoyus settles terms for purchases from other industrial enterprises also and the consumers' stores enter into contract with them according to terms settled by the Centrosoyus. Societies enter into contracts with collective farms also for purchases from them. All societies have their own purchasing agents and usually the vice-chairman of the board functions as the purchasing agent.

Many consumers' stores have also their own productive establishments such as making sausages, bread, dairy products, confectionary, fruit juices, wine, brick, lime, tiles, etc. Virtually the whole of bread production is in their hands. They have also fishing establishments

* Review of International Co-operative Review, March and October, 1952.

for fishing in local rivers, lakes and ponds. A few societies have taken over State farms which they work with hired labour. From these farms they get supply of milk, eggs, vegetables, fruit, meat, etc. They handle a wide range of goods. Since the second World War they have considerably developed trade in building materials and in such goods as lorries, motor cycles, engines, petrol, wireless sets, sewing machines, anthracite, etc. They have a large number of restaurants, tea houses and snack-bars. The rural stores function also as agencies for the purchase of agricultural and animal products and such commodities as metal scrap, rags and bones. Many of the stores have their own buildings constructed according to model plans drawn by the Centrosoyus.

The highest authority in a consumers' stores is the general meeting of share-holders which is convened by the elected board of the society. The meeting is held once a quarter and special meetings are held at the request of one-tenth of the members or of the society's audit committee. The decisions must be voted by two-thirds of the members present. General meetings which consider amendments to by laws, election of the board and the audit committee should be attended by at least 75 per cent of the members. The attendance at general meetings is reported to be generally 90 per cent. The board and the audit committee are elected by secret ballot for a period of two years. The audit committee controls the economic and financial activities of the board. The board carries out the decisions of the general body. There are also shop and canteen committees to supervise the daily work of the shops, canteens and restaurants. The board appoints the necessary paid employees. The pay of an employee in a stores is in proportion to the quality and amount of work he has done. Monthly targets are fixed for sales and if the targets are reached, the employees are paid 10 per cent of their salaries as extra remuneration. If the sales exceed a certain level fixed by the societies, they are even paid twice their usual salaries.

There are now over 26,000 consumers' stores with a membership of more than 32.5 million. They have over

250,000 retail trading establishments including 25,000 canteens, restaurants and refreshment rooms. There are 8500 small industrial enterprises and 1072 restaurants in the country side.

The societies in towns are known as "gorpos", those in the country as "selpos", those catering to the workers in industrial enterprises as "rab koops" and those which supply to fishermen as "rib koops". Some district consumers' societies have retail shops at district headquarters known as "raipos".

The consumers' stores are united in 3200 district unions known as "Raipotrebsoyus". The district unions are united in regional, territorial and republican unions. Each Republic, with the exception of the R. S. F. S. R. has its own co-operative union The Centrosoyus is the central union of consumers' societies in the U. S. S. R.

The Centrosoyus:—It consists of the central unions of consumers' societies of the republics except the R. S. F. S. R. (the Russian Soviet Federal Socialist Republic) and the regional and the territorial unions of the R. S. F. S. R. In addition, the Union of Fishermen's Co-operatives and the Co-operative of the Workers and Employees of the Sovkhozy (agricultural farms managed directly by the State, employing wage earners), which includes consumers' societies of "Sovkhozy" in the regional territorial and republican union of consumers' societies.

The Centrosoyus organises and directs all activities of the various bodies in the consumers' movement. It gives instructions to societies in the matter of trade, purchase, productive activities, finance, accounting, etc. It has the right of inspecting unions of societies. It carries on whole-sale trade in certain goods and for this purpose it has six specialised departments as follows—"(*i*) the Haberdashery and Perfume Department, covering leather, textile and plastic haberdashery, jewellery, toilet requisites, embroidery, watches, etc; (*ii*) the Education and Cultural Department, covering articles for schools wireless sets, musical instruments, motor cycles, sewing machines, sports goods, toys, pictures, books (fiction, social subjects, political and

technical literature), etc; (*iii*) the Industrial goods Department, dealing in timber, roofing materials, cement, furniture, chemical goods, motor cars, tyres and equipment for collective farms, etc.; (*iv*) the Hardware Department which handles such items as spades, scythes, axes, rails, metal utensils, china, crokery, separators, beds, electrical equipment and household goods; (*v*) the Saddlery. Hemp, Jute and Furs Department; and (vi) the Grocery Department." These departments not only make purchases of the goods but also produce several of the goods. In order to reduce overhead charges, it arranges transport of goods directly to district unions and societies unless the goods are to be stocked and despatched in small quantities. It fixes definite routes for its transport services so that goods may be delivered to district unions and societies on their way. So as to ensure speedy replenishment of stocks in societies it has developed "a mail-order trade" accordig to which societies situated far from the supplying centres of the Centrosoyus can place o.ders for goods they require to the "Posylcooptorg", an office set up for this purpose at each supply centre and get their orders executed at once. The trade departments of the Centrosoyus has a number of trade bases for the purchase and sale of goods. The republican, territorial and regional unions also have similar trade bases. The trade bases sell goods to the district unions and also direct to societies. It is said that nearly two-thirds of the goods sold by societies are purchased from the district unions and the balance from the trade bases of the regional unions or from industrial enterprises and collective farms.

The Centrosoyus is concerned also with the training of the vast staff employed in the consumers' movement. For this purpose and for training instructors and auditors for the unions it conducts a number of schools.

The congress of delegates is the highest authority in the Centrosoyus and it is convened once in four years. It elects a council, the President and members of the board, and the chairman and members of the auditing commission. The election is by secret ballot. The term of office of these bodies is four years. The council holds annual

meetings. The board exercises all the functions of the Centrosoyus. The council exercises all the functions of the congress except the liquidation of the Centrosoyus. The reports of the board and the auditing commission are considered by the council in its annual meeting. The constitution of the Republican, Territorial and Regional Unions is similar.

Producers' Societies:—Handicraft and small-scale industries have been assigned a role in the Soviet plan of industrialisation. Since 1932 the Government have been encouraging the formation and development of industrial co-operatives as a means of providing employment to the unemployed. *"In 1937 there were some 15,000 industrial or workers' productive co-operatives, with a total membership of two million. Some of them were organised for the benefit of disabled persons. Their production figures appeared regularly in the general annual plan and in the five-year plans for the development of the Soviet economy. During the war they played a considerable role, as is shown by the production quota assigned to them in the plan for 1942: 5,500,000 spoons, 2,500,000 knives, about 4,000,000 forks, 45 million yards of cotton cloth, 24 million pairs of boots and shoes, the manufactue of furniture to a value of 72 million roubles. For 1945 the production quota is as follows: 10,000,000 pairs of footwear, 4,500,000 pairs of felt boots, 17,500,000 pairs of stockings and socks, 75,000,000 spoons, 8,000 tons of household soaps, 175,000,000 roubles worth of furniture, etc. Altogether this production will have a value of 8650 million roubles." These societies which are known as "Incops" are of three classes, viz., those which supply raw materials and undertake sale of finished products, (2) those in which members do the work in their homes, but have some processes done by the common plant and machinery owned by the societies, and (3) those which have a common workshop. Most of the societies come under the last class and are familiarly known as artels. As they form part of the Soviet plan, they are assigned the production of goods which are not

* Co-operation and Present-Day Problems of the International Labour Office.

produced by the State owned industries. Bulk of their production is supplied to the State and the Centrosoyus. In the R. S. F. S. R., where they are predominant, they have combined into unions wh'ch supply them with raw materials, market their products and give them technical guidance.

Fishermen's Co-operatives:—*"The most important fishermen's co-operatives are found in the U. S. S. R., where practically all the fishermen—96 per cent in 1936—are orgainsed in co-operative societies. At that time there were 830 local co-operatives for sea fishermen and 810 for fresh water fishermen. The co-operatives for sea fishermen alone had about 150,000 members. The local societies were the owners of fishing boats and gear valued at 70 million and 45 million roubles respectively in 1935. Part of the fleet was motor-run; the total strength of the motors amounted to 19,556 h.p. in the same year. In addition, the State in 1936 placed 578 boats with a total motor power of 15,000 h.p. at the disposal of the co-operatives through the medium of 'machine stations' (similar to the 'tractor stations' in agriculture) which rent out machines in return for a cash payment. The co-operative societies make over their catch, by previous arrangement, to the local organisations of the Comissariat for the Foodstuff Industry. In 1935 the catch of all the co-operatives together amounted to 8,000,000 tons or more than 60 per cent of the country's total production." The co-operatives have no separate marketing organisation. The function has been undertaken by the State which retains a quota for itself and sells the balance in the open market or to consumers' societies. The State assists the co-operatives with funds for the purchase of petrol motors. The co-operatives not only supply their members with fishery requisites but also foodstuffs and consumer goods. As already stated, they have combined into a union which is a member of the Centrosoyus. Deep-sea fishing is in the hands of State agencies and the State owns factories for curing, preserving, etc.

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* Co-operation and Present-Day Problems of the International Labour Office.

Co-operative Credit:—After the advent of collective farms the agricultural credit societies disappeared, as they had no need of existence. All short term credits for internal operations, according to the Credit Reform Act of 1930, have to be obtained from the State Bank, which is the central clearing house of the U. S. S. R. Long term credits for capital investments are obtained from the special Co-operative Bank established for the purpose.

The Collective Farms:—The collective farms are a special contribution to co-operation by the Soviet Union. They are called "Kolkhozy" to distinguish them from "Sovkhozy" which are agricultural farms managed directly by the State by employing wage earners. A greater part of the peasant holdings has been collectivised and there is now a network of collective farms throughout the whole country. It is estimated that over 20 million peasant families have been organised into over 245,000 collective farms covering about 94 per cent of the total cultivated area.

*As Dr. Fay observes, "they are the outcome not merely of communist theory, but of the extreeme difficulty experienced during the period of the New Economic Policy in securing from an ignorant and ill-equipped peasant a sufficient supply of agricultural produce to feed the rapidly growing industrial population of Russia." In the Revolution of 1917 the peasants seized the lands of the large land-owners. The result was a large number of small farms which produced barely more than was needed for the sustenance of the peasants' families. Very little produce went to towns. The new owners of lands had neither adequate experience nor the necessary agricultural requisites for intensive cultivation. They needed credits and obtained them from the wealthier farmer, the "Kulak", who continued to dominate agriculture. This dominance of the Kulaks and the poor yield of the peasant farms necessitated a thorough reorganisation of the system of farming to maximise production. The collective farms were devised as the best solution of the problems. The

* Co-operation at Home and Abroad by Dr. C. R. Fay.

change from individual farming to collective farming was gradually achieved and the farmers were slowly brought over to the new method. There was of course certain amount of compulsion also. *"Because of this compulsory character, some co-operators deny that the collective farms—or indeed any part of the co-operative system as it exists in the Soviet Union today—can be regarded as truly co-operative." Mr. G. D. H. Cole, however, observes that he fails to see "how those who look forward to the 'co-operative commonwealth', in which presumably co-operation will have become universal, can regard voluntary membership as essential to true co-operation irrespective of the character of the State system—however essential it may be to preserve its voluntary basis as long as it is growing up inside a capitalist social system. At all events I propose to take the view of the International Labour Office, which treats the collective farm as a species of co-operation. On this view the Soviet Union remains the home of by far the largest Co-operative Movement in the World."

As stated already, the main object of the introduction of the system of collective farming is to maximise production by "putting agriculture on the technical and seientific level of modern industry." The collective farms, therefore, occupy an important place in the Soviet planned economy and are the chief agents for the execution of the plans of agricultural production.

The collective farms are of three types. The simplest is a mere cultivating or herd tending partnership common among the nomads. The other extreme is the full commune or an integrated community in which the members live together round a common dining hall and kitchen and have no separate belongings except trifling objects of personal use—the form of co-operative community contemplated by Robert Owen. Such collective farms are to be found in Israel where they are called "Kvutza." Collectives of this type in Russia do not form more than one per cent of the whole number.

† Century of Co-operation by Prof. G. D. H. Cole.

In the vast bulk of the collectives the members surrender their lands irrevokably, the work is common, the rights in the land and in the live and dead stock are joint and the surplus product is divided among the members; but the incomes are separate and the members live and mostly feed with their families in their own houses. According to the laws of the U. S. S. R., the land of a collective farm is held by its occupiers in perpetuity. The collectives are under a legal obligation to admit other members having the required qualification. Any Soviet farmer of good moral standing who has completed 16 years of age and desires to join a collective farm in his locality has a right to membership, provided he is willing to pool his land and resources, and to submit himself to the rules and discipline of the collective farm. "Kulaks" and people deprived of their political voting rights are excluded from membership.

An important individualistic element in the collective farms is that each family is entitled to a plot of land, the size of which varies from five-eighths of an acre to two and a half acres according to the area in which it is located and on this plot fruits and vegetables are raised. Each family is also allowed to keep a limited member of cattle, pigs, sheep, poultry and bee-hives for its own benefit. Usually this plot is adjoining the living house and worked by the family.

Agriculture in the collectives is highly mechanised and the State machine-tractor stations at suitable places provide the necessary facilities for his purpose. In 1941 there were 6647 such stations with 496,000 tractors and 140,000 harvester combines. Now there are about 8400 machine tractor stations. Their object is to let out for rent the machinery owned by them and provide services to the "Kolkhozy" in return for a fixed quantity of agricultural produce. They perform certain functions which under the Italian system belong to the regional federations. They help the "Kolkhozy" solve their administrative and technical problems. They are more or less pools of agricultural, veterinary, mechanical and other experts on which the "Kolkhozy" can draw according to need. They are also the chief links between the State and the

"Kolkhozy" for drawal and execution of plans and collection of agricultural produce and they practically direct agricultural production. Consequently they practically control the working of the collective farms.

The average size of the farm varies widely in different regions. It is below 600 acres in White Russia, above 1800 acres in Ukraine and is twice or three times as lagre in the middle and lower Volga. For the whole country it averages 1600 acres.

Each "Kolkhoz" is managed by a committee of five to nine members elected by its members in a general meeting which is the highest authority in the "Kolkhoz". The committee holds office for two years and is responsible for the allocation of work to members, distribution of income in kind and in money and disposal of surpluses. The members are organised into groups as in the Italian labour co-operatives and each group or brigade is assigned a definite work. Each brigade has a leader who checks the amount and quality of work done by the members. The remunaration for the members is calculated in "work day" units, *i.e.*, the value of the average amount of work that can be performed by a collective farmer in one working day as fixed by a standard quota for each type of work. No distinction is made between men and women. It is said that about half the total number of "work day" units are contributed by women workers. Differences in skill or special efficiency are remunerated by grading up some jobs to a higher equivalent in "work day" units than others. The definition of the "work day" unit as well as the grading up of jobs involving special skill and efficiency are fixed by the committee subject to approval by the general meeting of members. The State has fixed the obligatory minimum of working days at 150 for a year, but it is said that a quarter of the membership worked for double the number of the minimum days. In order to enforce discipline among the members, the kolkhoz is empowered to punish those who fail to carry out the work allotted to them or to fulfil social obligations or who absent themselves from work without adequate cause or who are charged with negligence in handling equipment and livestock. The

punishment will range from warning to suspension or even expulsion.

The Kolkhoz is, as has been stated in a previous paragraph, a part of the Soviet planned economy. It works according to the directions of the State authorities, particularly the Gosplan which issues directions about the acreage under different crops, the number of animals to be kept, etc. It has to sell to the State a certain proportion of what is assumed to be an averaged yield. The surplus income, after payment of wages and after providing for reserves intended for improving and extending the farm, overhead expenses of production and administrative cost for next year, etc., is distributed to the members in proportion to the labour put in by them during the year reckoned in "work day" units. The surplus produce is sold by the Kolkhoz in the collective farm markets or to consumers' movement by previous contracts. The families in the collective farms are also allowed to market their produce at collective farm markets.

The collective farms did valuable service during the Second World War. They were the backbone of the home front of the U. S. S. R. They occupy an important place in the Soviet economy and have demonstrated that a planned economy can be put into operation effectively and efficiently through co-operation. They have also demonstrated that collective farming facilitates the application of science to agriculture and placing it on the technical and scientific level of modern industry. It has trained the farmers in the use of modern machinery and implements and the application of artificial fertilizers to maximise production. The collective farm is a combination of collective economy and individual economy, as each family is allowed a homestead where it can raise fruits and vegetables and rear animals and birds to a limited extent. The machine-tractor stations serving the collective farms are a novel device and other countries have benefited by this innovation, *e.g.*, in France there are about 4,500 machinery societies known as C. U. M. A. and in Denmark either private farmers and contractors have taken the

initiative and established machine stations for the joint use of tractors and other machienry, which serve the farmers against payment for work done, or co-operative machine stations have been set up.

The Indian Co-operative Planning Committee (1946) has reported that as a result of collectivisation and the consequent large-scale mechanisation there has been considerable increase in agricultural production, that the income of a member family has, in terms of grain, risen from 0.6 ton in 1932 to 1.7 ton in 1937 and that the money income rose from 106.2 roubles in 1932 to 348.1 roubles in 1937.

The Russian Kolkhoz, the Mexican collective Ejido and Israel's Kvutza—a comparison:—Both the kolkhoz and the collective Ejido were brought into existence owing to certain measures taken by the Governments of their respective countries while the Kvutza grew up spontaneously. In all the three forms there was a specific need before they made their appearance. The Kolkhoz was the result of the changes in agriculture consequent on land seizures by the small peasants during the Bolshevist Revolution which we have already referred to. The collective Ejido in Mexico was born of certain agrarian reforms under which land was taken away from the big land-holders and distributed to small peasants. It was conceived with a twofold object. One was that as a social system it must free the peasant from the exploitation to which he was subject under both feudal and individualistic regimes and the other was that, as a method of agricultural production, it must produce enough to meet the nation's food requirements. As regards the Kvutza, the Jewish migrants to Israel were faced with the problems of poor quality of the soil and their lack of experience in agriculture and they found solution in collective farming.

A Kolkhoz has a legal obligation to admit persons qualified for admission, while no such obligation exists in the other two forms. Any twenty male peasants of over sixteen years of age and of Mexican birth can organise a

collective Ejido provided they have been residents of the area where they want to form the Ejido for at least six months prior to the organisation. Rich persons are excluded. The group applies to the Government for land. The land given by the Government belongs to the group which can divide the land and cultivate it individually or cultivate the entire land collectively. The members of the group need not have to pay any share capital or admission fee, but have to bear the expenses of the assignment of the land to the group. For admission into a Kvutza already existing or in a group preparing for settlement, one must be a zionist of over 18 years of age and of good health and character. A new comer is put on probation for a period of six months to one year, though he enjoys the privileges of membership except the vote at meetings. At the end of this probation period the general assembly of members decides about his or her admission into the Kvutza. No admission fee or share capital is collected, but he must hand over all his possessions for the common use of the Kvutza. If a group wants to form a new Kvutza, the members must undergo training in one of the Pioneer Training Farms. While there is some sort of Government control over the Kolkhoz and the Ejido, there is no outside control over a Kvutza.

The internal working of a Kolkhoz and a collective Ejido is almost similar. In both, the members have two sources of income namely from the organisation and outside the organisation from their Kitchen garden, pigs, cow, etc. In the Kolkhoz the members' income from the organisation is a share in the profits after deduction for taxes, reserves, etc., in proportion to his "work day" units. In the Ejido the member is paid wages for his ordinary work on the farm, special wages for piece work done on such occasions as cotton picking season and an equal share in the common profit. In the Kvutza there is neither payment of wages nor distribution of profits to members. The Kvutza is more or less a co-operative community as contemplated by Robert Owen in England and practices comprehensive co-operation. Its members live as well as

work together. They have a common dining hall and kitchen and have no separate belongings except trifling objects of personal use. Each member takes his turn in such work as Kitchen duty, general cleaning, etc. The members live as those of one large family. They are trusted to do their work according to the best of their abilities and those who are slack are corrected by persuasion and admonition. There is no use for money within the Kvutza. The Kvutza takes care of the children of its members almost from their birth and brings them in the best manner possible with proper education and has specially trained members for this purpose. It takes care of the sick and the invalid and maintains the aged parents of its members who cannot do any work. It provides all amenities for its members and every one feels that he lives with his own family. The position of women, in all respects, is equal to that of men. Thus it is highly socialised and its activities are truly co-operative. It implies the abolition of the money relationship, the real equality of the sexes, the conception of working not merely for individual gain but for a group, and the fact that the respect of others is gained not by the amount of property one owns or the physical strength one has, but by the personality one has. In short it has brought about a new type of society with a new relationship between men and women.

The discipline in a Kolkhoz is more rigid than that in the Ejido or the Kvutza.

Collective Farming—unsuitability to Indian conditions:—The All India Co-operative Planning Committee, in discussing the relative merits of Corporate farming, State farming and collective farming, dismissed the first as a capitalistic orgainsation with a profit motive As regards State farming, it was of the opinion that in the existing conditions of the country, it should not be taken up except where land was already held by he State and for the purpose of experiment and demonstration only. Regarding collective farming, it declared that it was unsuitable in the existing circumstances of India, owing to the deep attach-

ment of the Indian farmer to the ownership of the land which could not be disturbed without considerable resentment. It recommended that co-operative better farming societies and co-operative joint farming societies might be organised. In the first type, the members agree to follow a plan of cultivation drawn by the society. In the second type, the members pool their lands and entrust them to the administration of the society, work for wages, pool the income and share the net income in proportion to the value of land of each. In 1947, the Madras State examined the relative merits of the different forms of farm organisation and decided that, for the present, reform must be in the direction of an increase in co-operative farming. In other words the co-operative soceity should help small farmers in such matters as obtaining ploughs and cattle, water supply and labour for transplanting and harvest. It should own implements and cattle and lend them to its members.

Co-operative Law:—In Russia, after the first World War, as many as 254 laws relating to co-operatives were passed in striking similarity to France where too there were many co-operative regulations. A basic co-operative law was passed in 1924 for the U. S. S. R., but was later amended to suit different republics. Societies are registered. The minimum membership is 30 and admission into a society is open to all with political voting rights. In consumers' societies even those without political voting rights can become members but cannot elect directors or be elected as directors. Societies can deal with members as well as non-members. The value of a share is low so as to make the society accessible to all. Share are not liable to seizure or attachment for outside debts. The liability of a member may be limited to the value of a share or multiple of it. Each member has only one vote and voting by proxy is not allowed. In societies with large membership the meeting of delegates takes the place of the general meeting. The management of a society vests in a board and an auditing committee. Audit is conducted annually. Unions of societies besides doing wholesale

business do the audit of societies affiliated to them. Societies may be wound up if they fail to comply with law or if the membership falls below the required minimum. They are autonomous within the restrictions imposed by Soviet economy.

General :—The U. S. S. R's Constitution of 1936 provides in Article 5—"Soviet property in the U. S. S. R. shall take either the form of State property (the property of the whole people) or the form of collective farm or co-operative property (property of each collective farm or of the co-operative unions)." The State provides funds for all co-operatives and encourages their formation and development. The relation between State enterprises and co-operatives is cordial and regular seasonal contracts between them are drawn up. The co-operative movement in Russia has made extensive grants to the State for special purposes. In 1931 it contributed 22 million roubles for introducing compulsory primary education. Profits in societies are generally not paid in the form of dividends, but are applied to capital construction, cultural purposes and towards the betterment of the working and living conditions of the employees and raising their wages.

The co-operative movement of the U. S. S. R. is the largest in the world. According to figures furnished in "Co-operation and Post-War Relief" of the International Labour Office, Europe (excluding the U. S. S. R.) accounted for 37 per cent of the total number of societies in the world (810,512) in 1937, followed by the U. S. S. R. with 35 per cent (286,595). As regards membership, the U. S. S. R. accounted for 42 per cent of the total of 143,260, 953.

CHAPTER VIII

OTHER EUROPEAN COUNTRIES

(i) Sweden :—The co-operative movemet of Sweden has developed remarkably and like that of Denmark it has attracted the attention of the world. Like Denmark, Sweden also is an agricultural country and a majority of its farms are small units owned by farmers. In Swedish farming too milk is an important product which accounts for more than 50 per cent of the total income of a farmer. In the south, which resembles Denmark in most respects, pig-raising and poultry-rearing are common. In the north which abounds in woods and forests, farmers have taken to sheep-rearing and tree-felling. Tree felling is usually undertaken during winter when lakes and rivers would be frozen and transport of timber would be easy. Agricultural co-operation therefore occupies a predominant position. The creamery movement is the most important. Next come co-operative slaughter houses and egg co-operatives. Unlike Denmark there are numerous farmers' credit associations too. The other types of agricultural co-operatives are the forest owners societies, agricultural supply societies, distilleries, fur breeders' societies, starch producers' societies, flax and hemp growers societies and oil plant growers' societies. There are also mortgage banks.

The structure of agricultural co-operation is as follows. Individual farmers are members of specialised local societies. These specialised societies are members of a similar county association and the county associations in turn are members of a national association. Specialisation is therefore logically followed from the primary to the national associations, which in their turn are having the Federation of Swedish Farmers' Associations as their co-ordinating body. The co-operative distilleries, however, are members directly of the national association. The co-operative slaughter houses are district associations with a wide area and there are no local societies. Same is the case with forest owners' societies, mortage banks, fur breeders' societies, flax and hemp growers' societies and oil plant growers' societies.

Every farmer is a member of more than one society. The agricultural requirements societies do the marketing of grain as well. In the co-operative dairies and distilleries, as in Denmark, there is the system of binding contract for supplies to the societies. Farmers' credit societies are more prominent than other Scandinavian countries and are linked to the State. The local credit societies based on unlimited liability are federated into district federations and the latter are co-ordinated by the Swedish Federation of Credit Societies which is a semi-State institution. The State is represented on its board. The national federation is not a bank, but arranges credit for the local societies from commercial banks, controls the whole credit organisation and promotes the co-operative credit movement. The State guarantees up to a certain limit loans which local credit societies borrow from the commercial banks and this guarantee is transmitted through the national federation. The mortgage institutions with a national federation of their own are also semi-co-operative organisations providing bulk of farm mortgage credit.

The Federation of Swedish Farmers' Association has several departments such as legal, research, market, press, study and lecture, accountants', purchasing, office management, advertising, tax, foreign, etc., departments. Practically all exports of agricultural produce are made by farmers' co-operative associations and their national organisations and the Federation. Every year since 1940 the prices of agricultural products are fixed by the authorities after negotiations with the two central agricultural organisations, Federation (S.L.) and the Swedish Farmers' Union (R.L.F.) The Federation publishes a year book.

The consumers' co-operative movement is well developed in Sweden. It is both an urban and a rural movement. As in other Scandinavian countries, the urban-rural cleavage is less marked than Britain and central European countries. The consumers' societies make sales to non-members also. Much emphasis is laid on low prices rather than on dividends which are, relatively to other countries, very low. One chief characteristic of the consumers' movement

is the uniformity of the store design with its effective "Konsum" sign all over the country. The Stockholm local co-operative stores has two great department stores and a chain of attractive restaurants and over 250 milk shops. The Kooperativa Forbundet, known by its initials, K. F., is the co-operative wholesale society having extensive productive activities. It has a margarine factory and a flour mill. It owns the largest oil mill and only one of its kind in Sweden and exports oil to other countries. It has also an electric bulb factory at Luma which is the world's first international co-operative factory. The Luma factory was started as early as 1934 by a federation consisting of the wholesale societies of Denmark, Norway, Sweden and the Hankkiya of Finland. The K. F. has also established at Glasgow the British Luma Co-operative Electric Lamp Society in which the K. F. and the English and the Scottish Wholesale Societies have invested share capital equally. The K. F. also owns three paper mills, a porceline factory and a cellulose acetate silk factory manufacturing insulating material called "Isoflex." It has a savings bank for the consumers' societies and is concerned with education and propaganda also. It publishes a co-operative journal. Under its management is a college for the training of the staff of the consumers' movement, which is known as "Var Gard" (Our Home). It is a residential college and has arranged a number of study groups through the primary societies. The guide books are prepared and provided by the "Var Gard." The K.F. and the primaries send their problems to the "Var Gard" for solution. Along with the wholesale society of Norway it runs a fertilizer plant in Sweden.

There is cordial relation between the producers' and consumers' societies. For close collaboration, a Joint Committee was set up in 1936. The two movements have entered into an agreement by which producers' societies have pledged not to sell their products in retail and the consumers' societies to keep their hands off the productive activities and wholesale business.

The housing societies' movement is also well developed. The central organisation called the Tenants' Savings and

Building Society spoken of as H. S. P. from the initial of its Swedish name is perhaps the largest building society.

An interesting extension of co-operation among university students is the mutual guarantee of loans for university education by groups of students in Sweden which enable the members of the groups to secure advances from banks.

The Stockholm Milk Central is a large centralised society with over 19,000 farmers and covering a large area containing a quarter of the population of Sweden. Its headquarters are at Stockholm. It is not a mere collective bargaining society. It owns and operates plants for preparing milk for market and for the manufacture of butter and cheese. It supplies milk not only to Stockholm but to the fertile indurstrial area which it covers. In a number of centres in the area it has plants, some for making butter or cheese and oth rs for separating cream from milk. Some centres are mere receiving stations. Its greatest single customer is the Stockholm's consumers' society, the Konsum. It also retails milk to some extent through a few retail shops. It has engaged a number of girls who deliver bottles of pasteurised milk at the doors of its customers.

A recent development is that the Gothenburg Society has replaced the telephone by a radio system—the first co-oprative enterprise in the world—to send out communication to all its 300 shops. The system has the advantage of saving costs and time.

(ii) **Norway**:—In Noıway, which belongs to the Scandinavian group, the co-operative movement is similar to that of Denmark and Sweden but less marked, as it is not an exporting country and has developed the home market. The development of agricultural marketing is more marked than supply of agricultural requirements. As in other Scandinavian countries, the bulk of the Norwegian farmers' income is derived from the milk and livestock products. The dairy industry is well organised. Practically all milk brought into the market is sold through co-operative dairies. The Marketing Act regulates the various markets for agricultural produce. A National Agricultural Marketing Board consisting of representatives

of the various branches of agriculture was established in 1930. *"This Board supervises the activity of the organisations, approves the levy to be paid by the milk producers and the compensation to be paid to those milk producers who sell their milk to the dairies. This Marketing Board was also authorised to fix a general turnover tax on all milk and meat and any other agricultural product which was brought under this system. These levies, however, had to be approved by the Ministry of Agriculture." The funds raised by such levies are usually utilised for the improvement of the industry. The country has been divided into eight districts according to the location of the principal markets. A "milk centre" has been established in each district. The farmers deliver milk to these centres which have formed the Norwegian Milk Producers' Association which controls the whole organisation. It is a federal organisation and truly democratic. There is a similar system for meat industry also.

The marketing of vegetables and fruits is also well organised in the co-operative organisation, "Gartnerhallen." There are many refrigerating plants for fruits and vegetables throughout the country and through this orgainsed storing on a co-operative basis the season for Norwegian fruits and vegetables, which is very short, has been prolonged, the glut in the market avoided and the flow of fruits and vegetables into the market regulated so as to secure for producers good prices. The disposal of the fruits and vegetables is by the auction system on the Dutch method. The auction is conducted in the society's auction hall at Oslo where there is a mechanical clock whose face contains numbers of the auction buyers who are allotted a number each and the "N. S." (No sale). Each auction buyer has an electric button in front of him. When he presses it, a light burns above his number and the lot becomes his. The fruits and vegetables are passed on in front of the auction buyers for inspection. When the bid is very low, the auction conductor presses the "N.S." button and the auction is closed. The whole auction is conducted in an atmosphere of silence.

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* Year Book of Agricultural Co-operation, 1943-44.

There are agricultural requirements societies but their progress is less marked than marketing.

As the country has a large sea coast and abounds in forests, the fishing and forest industries have developed considerably. For fishing co-operatives there is a national organisation for the processing and sale of herring fish. The forest owners' co-operatives not only arrange for collective sale of timber but also undertake processing activity and supply of forestry requirements. The forest owners have their own mutual forest fire insurance system with its own fire guard stations throughout the country, whence the fires can be reported by telephone. This organisation has been effectively preventing the spread of forest fires. There are similar mutual insurance associations for livestock. Thanks to the abundant water power in Norway, the milling industry has developed considerably and there are several local mills for grinding corn on a co-operative basis. There are also co-operative silos, canning plants and several other processing factories which the State has been encouraging by liberal financial assistance.

As in Denmark, next to dairy and meat trade, co-operative marketing of eggs through local egg circles and district associations has considerably developed.

The consumers' movement, which is well organised and well developed, is both a rural as well as an urban movement like Denmark and Sweden. As in Sweden, low retail prices are charged and emphasis is laid on low price rather than on dividends which are generally very low. Consumers' societies have their own wholesale soicety.

The Savings Banks, which are not co-operative organisations, provide the credit needs of the farmers and the urban people. Mutual credit associations for farmers are now gradually coming up. Mortgage credit is granted mostly by the two State Banks.

(iii) **Finland**:—Co-operation has been applied to a wide range of activities in Finland. Dr. Fay calls Finland a nation of co-operators. About four-fifths of the population live in the rural parts and agriculture is their main

industry. Almost all farmers are members of one co-operative society or another and co-operation is an important factor in the economic life of Finland. The dairy industry predominates as in other Scandinavian countries and nearly the entire industry is co-operatively organised. The marketing of meat and eggs has also been co-operatively orgainsed though it is less developed than that of the dairy industry. There is no clear line of demarcation between the consumers' and the agricultural supply movements. The tendency is to have a general purpose society. The consumers' societies deal in agricultural requirements also. Some of them undertake the marketing of all farm produce.

The co-operative consumers' movement is divided into two groups on political rather than on any economic basis. The Y. O. L. (initials of the Finnish name of the union) is the larger of the two unions. It is neutral and rural. The K. K., which is the smaller union, is mainly urban and soicalist and is usually said to represent the progressive movement. Each group has its own wholesale society, the S. O. K. belonging to the netural group and the O. T. K. belonging to the progressive group. The largest retail societies of these two groups are respectively the H. O. K. and the Elanto. The neutral group is further divided into two sections, the Swedish speaking minority and the Finnish speaking majority. The minority section has its own union, wholesale society, milk central and retail society. Because of the shortage of hotels in Finland, the consumers' movement has developed a large number of co-operative restaurants throughout the country with the words H. O. K. or Elanto. The neutral movement is in close alliance with O. K. O. (the co-operative credit central), the Hankkiya (the agricultural wholesale society for machinery, feeds and fertilizers), the Valio (the butter central) and various other centrals. The Pellervo which corresponds to the Irish Agricultural Organisation Society has done and continues to do much for the growth and development of Finnish agricultural co-operation.

The four wholesale societies of Norway, Sweden, Denmark and Finland have formed the Scandinavian

Wholesale Society with office in Copenhagen and a branch in London for purchases of coffee and other imported produce for the four wholesales. The two groups of the Finnish consumers' movement are united in this Scandinavian Wholesale Society.

The credit movement began as a "top down" movement. The Co-operative Credit Central, the O. K. O., was organised first and the local societies were organised later. It is a controlling union and a central bank. It is not a federation of local credit societies only. Co-operative dairies, co-operative stores and also communes (which are not co-operatives) are also its members. The credit societies are more or less on Raffeisen lines. The Credit Central obtains a large part of its funds by way of State loans. It is concerned with land mortgage credit also and for this purpose it has been authorised to issue bonds for sale in the open market.

The oldest branches of the movement are the co-operative dairy, the co-operative stores and the co-operative credit society. Later, co-operative slaughter house and co-operative timber marketing gained importance. The co-operative dairy, slaughter house and forestry unions cover the whole country.

(iv) **Iceland**:—Iceland, which is another member of the Scandinavian group, has a member of co-operative societies functioning as general purpose societies. Very few societies function purely as a consumers' society. The societies usually own slaughter houses, dairies, refrigerating plants, processing plants, etc. Those operating in the coastal areas own fish curing stations and undertake the marketing of sea-products. Cured fish is the principal export of Iceland and the co-operatives play an important role in the export trade. There are several co-operatives for fishing boats. The fishermen as well as their wives and children who cure the fish are members of the fishing boat co-operatives. Each fishing boat co-operative owns a number of fishing motor boats or steam boats according to the needs of the members. The export of fish is in the hands of an export union which is a voluntary body representing co-operative societies as well as private exporters.

Most of the co-operatives have adopted limited liability. All co-operatives are members of the Federation of Iceland Co-operative Societies (S.I.S.), which is a wholesale society and a union controlling the activities of societies. It owns a wollen mill, a shoe factory, a glove factory and a tannery and runs a co-operative school. Incidentally it may be stated that there are many big sheep farms and sheep farming has been the occupation of many persons in the rural parts.

The Government have subsidised the farmers' co-operatives to build refrigerating plants to the extent of one-fourth of the cost of the plants.

There are no credit co-operatives.

(v) **Holland** :—The co-operative movement has spread in rural as well as urban areas. There is a strong and efficient consumers' movement. But the co-operative movement is predominantly an agricultural movement. Dairy industry is highly developed and well organised co-operatively. Dairing is not only the main source of income to the Dutch farmer, but is also the principal industry of the country. Unlike Denmark, Holland has great internal market in its towns and exports very little.

The co-operative movement in the country side is divided between the Catholics and the politically neutral protestants. Each section has its own local credit banks which are completely organised on Raiffeisen lines. The Protestant credit banks have as their central bank, the Central Co-operative Raiffeisen Bank in Utrecht. They are to be found in the west, centre and the north. The Catholic credit banks are in the south and they they have the Co-operative Farmers' Loan Bank as their central bank with headquarters at Eindhoven. The non-catholic central bank is financially the stronger of the two. The local credit banks lay considerable emphasis on thrift and a great part of their funds is derived through deposits. Practically every farmer is a member of the co-operative credit bank. Both the central banks function not only as financing and clearing institutions, but also as agencies for controlling and assisting them in various ways. The by-laws of the local

credit banks are approved by the central banks and the former cannot alter them without the latter's permission.

In the towns, there is division in the consumers' movement between the middle class, socialists and Catholics. They are united, however, in the Joint Wholesale Society (Haka). There is unification also in the National Co-operative Union (Nationale Co-operative Raad) at Hague which is a general representative organisation for the whole Dutch co-operative movement. Its members are central organisations of local agricultural and consumers' societies. It is concerned with propaganda and generally promoting and defending the interests of co-operatives.

The co-operatives with rare exceptions are concerned with only one kind of activity. A farmer is therefore a member of several societies. The societies do not confine their business with members only and in some cases the business with non-members exceeds that with members. The several types of societies have their own national federations.

Haka, the consumers' wholesale society, has extensive productive and processing activities. It owns food factories, a cheese factory and a flour mill. It has created "Copharma" which is a wholesale society for co-operative pharmacies. Several of the consumers' societies contribute to a sick fund for providing medical facilities to their members. The consumers' society at the Hague "De Volharding" runs a fine modern hospital out of its sick fund.

The dairy co-operatives, which lead all other agricultural co-operatives, have concentrated their attention on making butter and cheese and also milk powder when there is large surplus. A large percentage of the milk handled by co-operatives comes from non-members. The agricultural supply societies have undertaken the sale of all farm products. The egg co-operatives have centralised their exports in the "Co-operative Verkoopoentrale Voor Eieren" (V.E.C.E.) in Roermond.

Holland produces a large quantity of straw boards which are exported. Of the 18 factories in the country,

nine are owned by co-operatives and they account for 60 per cent of the total production. The co-operative beet-sugar factories also account for 60 per cent of the total production in the country. In the manufacture of potato flour, co-operatives produce 90 per cent of the total production. There are also co-operative factories for chemical fertilizers, flex, etc. There are a number of threshing associations and co-operatives for grass drying. There are about 250 mutual fire insurance societies. Co-operative slaughter-houses and co-operatives for marketing of cattle are of recent growth and they have a national federation at the Hague.

The most distinctive Dutch contribution to the co-operative movement is the co-operative auction marts for fruits, vegetables and flowers which have won wide appreciation. As in Norway, the auction is conducted through a mechanical device in an atmosphere of silence.

(vi) **Belgium** :—The chief characteristic feature of the co-operative movement of Belgium, throughout its history, has been its close association with the political parties, religious and social groups. The socialist co-operative movement, which includes consumers' and producers' societies in towns and industrial areas, is linked with the labour party. It is the strongest and the most progressive section of the movement. The S. G. C. (Societe Generale Co-operative) is a wholesale and a union. It requires its members to bind themselves to purchase from it and must provide in their rules for technical and commercial control by its experts. It possesses a number of productive works for food stuffs and textiles. It is also concerned with all sides of the workers' life through the educational and re-creative "Maisons du Peuple." Several consumers' societies too have "Maisons du Peuple" on which considerable sums are spent. The "Maisons du Peuple" are amenities sections of consumers' societies providing facilities for socialists and trade unionists to drink and talk on co-operation. They are intended to ensure solidarity among socialists and loyal custom to the society. The societies maintain cordial relations with trade unions. Most societies have associated their employees in their management by

the provision of a few seats to them on the boards of management. Some societies have compelled their employees to become members and buy a fixed minimum from them. Most societies have a savings bank. The "Coop-Depots" is the financial organ of the consumers' movement. It accepts deposits from the savings departments of the retail societies, which act as its agents. It has wide powers of financial supervision. Every society must accept its control and cannot have any new financial commitments without its premission and any society which repudiates this control will not only be denied credit from "Coop-Depots" but will also be expelled from the S. G. C. Another characteristic feature of the consumers' movement is the large regional societies covering a wide area and owning a number of shopping centrès. For instance, the Liege Society owns 353 shops with over 80,000 members. The Brussels Society has a membership of over 28,000. There are similar societies at Charleroi, Nancy and Strasbourg.

The Belgiam Co-operative Insurance Society which is one of the largest of its kind in the country provides extensive health and social services such as modern sanatoria, clinics, holiday and children's homes, etc.

The initiative for agricultural co-operation came from the Flemish-speaking Catholics. It is centred in the "Boerenbond", a professional institution, which has included all branches of agricultural activity but limited its membership to Roman Catholics. Its technical and scientific services cover all fields of agriculture and it has placed at the disposal of the farmer both economic and scientific research. It has experimental farms, seed selection stations, laboratories for researches and animal breeding centres. It is also concerned with the education of its members through lectures. short courses and publications. It has embraced every sphere of rural life and wields considerable influence over its members. Its activities, however, are confined to the Flemish-speaking part of Belgium, namely the northern half. It has created well-organised central institutions at its headquarters, Louvain, viz., a central bank, a wholesale society, a creamery office,

an insurance society, etc. These central organisations are autonomous bodies and financially independent. They have a number of local branches under their control. A General Executive Council controls all the central organisations. There are guilds under local parish priests and these guilds supervise the several branches. The guilds are also controlled by the General Executive Council. The credit for the organisation and development of agricultural co-operatives in Flemish Belgium goes to Boerenbond. The rural credit banks, "caisses Raiffeisen", are affiliated to a central organisation of the Boerenbond, the Central Bank of Rural Credit of the Boerenbond Belge (Caisse Centrale du Boerenbond Belge) which controls and co-ordinates their activities. Almost all the agricultural co-operatives are affiliated to the Boerenbond Belge.

For the benefit of farmers' co-operatives not affiliated to the Boerenbond Belge, the Government established, in 1937, a special official institution, "Institute National de Credit Agricole" which provides credit not only for individual farmers but also for agricultural co-operatives. This institution chiefly serves the southern part of Belgium, the Wolloon districts. The Boerenbond is, however, by far the largest and strongest. The societies in the southern part of the country which are not affiliated to the Boerenbond are independent of each other and have no central co-ordinating agencies. They are therefore, relatively weak.

Many co-operatives in Belgium do not have adequate capital or reserves and they, therefore, find some difficulty in obtaining credit. This position is attributed to the following factors. One is that the law lays down that "the members of he society are responsible only to the extent of their capital subscription to the society." Therefore unlimited liability is non-existent. Some societies have tried to remedy the effects of limited liabilty by requiring their members to act as gurantors for a further sum equal to their subscribed shares. In some cases this liability is also not enough to raise adequate funds and societies' committees of management are obliged to underake joint and several liability for the societies' borrowings. As

regards poor reserves or lack of reserves, it has to be said that the members desire to have the profits returned to them as bonus and the societies are also not anxious to carry the profits to a reserve owing to the levy of heavy taxes of all profits carried to reserves and not returned to members. It is said that the taxes are as high as 30 per cent.

Agricultural co-operation of Belgium, as we have seen, practically centres round the Boerenond Belge. Though is is criticised in some quarters and there is ill-feeling among some farmers because of the fact that the profit derived from business with co-operative societies are not returned to them, but are used for the furtherance of the moral aims of the movement, the Boerenbond Belge has safeguarded the interests of the peasant and created *"an integrated rural life in which co-operative better business is really linked on equal terms and inside the same oragnisation with better farming and better living."

Compared with most of her neighbours, Belgium cannot be said to have an agricultural co-operative movement in the real sense.

(vii) **Switzerland**:—Switzerland is a highly democratic country and co-operation is the basis of the State. The economic Articles of the Constitution of Switzerland provide for safeguarding the development of associations founded on mutual aid. The co-operative movement is therefore strongly established and it exercises considerable influence on the economic life of the country. Though Switzerland is highly industrialised, it is still largely an agricultural country. Agricultural co-operation therefore occupies a prominent place in the co-operative movement. A great part of the Agricultural wealth comes from milk and milk products and the dairy co-operatives lead all other types of co-operatives. Switzerland is noted for its cheese and several co-operatives are therefore engaged in cheese making and exporting. As in Denmark, the by-laws of dairy societies provide for compulsory supply of milk by the members. There are egg marketing societies which are also on the Danish model. Agricultural co-operatives are

* Co-operation at Home and Abroad by Dr. C. R. Fay.

single purpose societies. In the east, however,, societies deal in agricultural and domestic necessaries and purchase farm products. These rural stores in the east have their own separate wholesale society, V. O. L. G. (Verband Ostschweizerischer landwirthschaftlicher genossenschaften) which deals in consumer as well as agricultural requirements. It is a regional union operating in the eastern part of Switzerland.

The V. S. K. (Verband Schweizerischer Konsumvercine) which is a union and a wholesale society for the consumers' movement is a national body. Though the V. S. K. and the V. O. L. G. are rival bodies, there is cordial relationship between the two and there is no overlapping of their activities. They have entered into an agreement according to which V. S. K. purchases agricultural products as far as possible from the sales division of V. O. L. G. including wine, syrups and dried fruits which the latter manufactures. V. O. L. G. in turn purchases consumer goods from V. S. K.—those produced by the V. S. K. The two wholesales make their common purchases jointly. They do not compete with each other in the same teritory. There is a high degree of loyalty to the wholesale society among retail societies. They purchase a large part of their goods from V. S. K. The V. S. K. has a research library, laboratory, and a printing establishment. Its productive and processing activities include coffee roasting, box-making, food preparation, etc. It has special subsidiary societies for some productive activities, e.g., flour mill, shoe factory, cigar factories and cultivation of vegetables at Kerzers. The consumers' societies are based on Rochdale principles and some of them are very large. The Basle Co-operative Society, which is one of the large societies, has built the garden city of Freidorf which provides attractive and well-built houses at moderate rents. It is a complete community in itself with a church, schools, public hall, co-operative stores, gardens and recreation grounds.

One other characteristic feature of Swiss co-operation is the co-ordination of the producers' and consumers'

co-operatives. An outstanding example of this co-ordination is the Swiss Dairy Union, a joint organisation of the United Dairies and the Swiss Consumers' Society both of Geneva. This joint organisation has two suppliers, the United Dairies supplying milk, milk products, eggs and pork meats and the Swiss Consumers' Society supplying groceries, cleaning materials, etc. They fix the retail selling prices of their respective goods and the goods are delivered at the retail selling price less the amount representing the gross profit of the retailer. Thev retain the wholesaler's margin. The net surplus of the Dairy Union, after providing for depreciation, reserves, etc., is returned to the societies in a proportion fixed according to their results for the years 1930 to 1933. The management of the Dairy Union is in a body of six, three representatives each of the two societies. The President and the Viec-President are elected alternatively from each of the two societies.

The Swiss co-operative movement, like the Danish and unlike the Irish movements, is the unaided democratic achievement of the people themselves. State aid was neither sought nor offered.

Switzerland has a co-operative college on almost similar lines of that in England.

(viii) **Spain and Portugal** :—The co-operative movement has made very little progress in Spain and Portugal.

In Spain a law for co-operatives was enacted in 1943 and all co-operatives were attached to syndicates at the appropriate level. Though the managing committee of a society is selected by its annual general meeting, the selection is subject to the veto of the syndical delegate of the province. A supervisory committee nominated by the provincial syndicate from a list of names submitted by the general meeting of a society watches the work of the managing committee. Self-government in societies is thus considerably restricted. A National Agricultural Credit Service controlled by the State handles funds compulsorily made available by private banks and makes loans to co-operatives on a guarantee of unlimited liability and the advice of their unions.

In Portugal there was a movement similar to that in Italy before the second World War and it received very little encouragement from the Government.

(ix) **Austria**:—Agricultural co-operation has made considerable progress in Austria. There were Raiffeisen banks and a number of marketing and supply societies. They were more or less on the German model. In 1938, when the country went under German occupation, there were some changes in the secondary societies and leadership of societies, but the legal basis of societies remained unaltered. After the second World War it became a federal 1epublic and co-operation was rebuilt. The General Union of Agricltural co-opeartives is the Central Union of agricultural societies. In the provinces, auditing unions have been set up for audit of societies. The agricultural supply societies have their separate central society. There are similar central societies for livestock, fruit, vegetables and timber. In point of number the credit societies lead and next come the dairy societies which make cheese, butter, etc. *"On 1st January 1950 the Central Union consisted of 4223 societies with about 825,000 members. These can be classified according to function in the following way—1766 credit societies (Raiffensen), 1247 milk processing societies—dairy, cheese and Alpine dairy farming, 195 purchase and sale societies, 64 wine societies, 86 other processing societies—fruit, vegetables, potatoes, timber and peat, 395 livestock and pasturage societies, 266 electricity societies and 200 other industrial and economic societies—machinery, threshing-mills and saw mills, land leasing and seed societies."

(x) **Greece**:—Greece is an agricultural country of small size farms. Farming is not carried on in isolated farms as in England and America, but the farmer lives in a village and goes out regularly to cultivate the different fields he owns, which are generally scattered. The co-operative movement may be said to have begun after the enactment of a co-operatve law in 1914 and it started with the establishment of co-operative credit societies. The law

* Year Book of Agricultural Co-operation, 1951.

provided for all types of societies except life insurance. The approval of the by-laws and the inspection and audit of societies were with the State.

The Agricultural Bank of Greece which was established in 1930 finances all agricultural co-operatives. It is not a co-operative bank but is similar to the bank established by the State in Eygpt and Turkey.The agricultural co-operatives are affiliated to about 78 district unions which help the societies to buy and sell wholesale and to obtain loans on better terms. For the expenses of the union, a small charge at a certain percentage of the transactions which pass through it is made. The unions are also concerned with the supervision of societies and promotion of propaganda and education. The National Confederation of Agricultural Societies, an autonomous central body set up by a law of 1938, is the supreme organisation of agricultural co-operatives. The law of 1938 has made it compulsory for all agricultural co-operatives to get themselves affiliated to the district unions and for the district unions with the confederation.

*One peculiar feature of the agricultural co-operative movement of Greece is the compulsory co-operatives established by a series of laws as follows:—

(*a*) Farm settlers' co-operatives, founded on the compulsory membership of farmers who, following the agrarian reform of 1920, settled either on public or on expropriated land, their main object being to facilitate the payment of the value of the land by instalments.

(*b*) Producers' co-operatives for pooling, processing and marketing of agricultural products.

(*c*) Land improvement co-operatives.

(*d*) Co-operatives having as their aim the common utilisation of land, forest or pasture.

There are several types of agricultural co-operatives such as credit co-operatives, supply co-operatives, sales co-operatives, production co-operatives, etc. About 80

* Year Book of Agricultural Co-operation, 1943-44.

per cent of the societies are credit societies. The most important co-operatives for production are those for wine and other vine products, oil and dairy produce. There are many olive oil presses controlling about 65 per cent of olive oil production in the country. The dairy produce societies are concerned mainly with cheese making out of sheep and goat milk. Among marketing co-operatives those for tobacco are predominant. Membership of marketing societies has been made compulsory by law in an effort to secure complete organisation for the sale of a particular commodity.

There are both limited and unlimited liability societies, but the former predominate.

The progress of the urban movement has been comparatively slow and this is attributed to the absence of unions for education and propaganda and a separate bank for urban co-operatives for a long time. The urban societies have now two unions, the Athenian Central Union of Urban Co-operatives and the Co-operative Union of Officials.

(xi) Czechoslovakia:—Czechoslovakia is now under Soviet influence and its agriculture is being organised on the Soviet model. There is a strong drive to establish agricultural co-operatives closely resembling the Soviet collective farms, Kolkhozy. The change is being carried on slowly with caution and through presuasion rather than compulsion. Preferential treatment is given to co-operative collective farms by way of price reductions in the case of fertilizers, seeds, etc., and the charges of the machine tractor stations are on a sliding scale according to the stage of progress of the co-operative collective farms which are grouped under four categories, viz.,

(1) co-operatives where sowing and harvesting is carried out jointly but existing boundaries of lands are preserved;

(2) co-operatives with joint cultivation which have abolished boundaries of lands and where income is divided among members in proportion to the size of the members' holdings;

(3) co-operatives where land and resources are fully pooled, fields are jointly cultivated, boundaries ploughed up and profits divided mainly on the basis of the members' work; and

(4) co-operatives organised as under (3) but on a community basis, where members are divided into permanent working teams, profits distributed exclusively on the basis of "labour-days", and long term arrangements made with machine tractor stations.

As in the U. S. S. R., the task of the machine tractor stations is to do propaganda in favour of the new agricultural policies in addition to hiring out agricultural implements.

In the planned agricultural production, quotas are alloted to regions, districts and villages and delivery quotas for producers are fixed. The pre-war supply, marketing and processing agricultural co-operatives have been absorbed into the Supply and Marketing Board which has taken over the plants and machinery of the co-operatives. The Board is a national body with regional and district offices and an agent in each village. The co-operative farms have been given certain concessions within the compulsory delivery system as an inducement to peasants to join the co-operatives. A vast change has been made in the general co-operative movement under a law of 1948. The Central Council of Co-operatives (C.C.C.) with headquarters at Prague has been created and the entire co-operative movement is centralised in this organisation. All co-operatives have been compulsorily included in it. It is charged with the duty of organisation, propaganda, education and the auditing of co-operatives. The C. C. C. will be consulted by the authorities on all matters of policy affecting the movement. The credit co-operatives are under the supervision of the Ministry of Finance. The chairman and the vice-chairman of the C. C. C. are nominated by the Government, the post being held alternatively by a Czech and a Slovak. The board of the Council consists also of representatives of credit co-operatives and their centrals. On the establishment of the C. C. C., all unions and centrals of agricultural co-operatives disappeared,

as their rights and obligations have been taken over by the C. C. C. Thus there has been a merger of co-operation and State policy. The co-operative method has been adopted for socialising agriculture and it is indicative of the Government's belief in the efficacy of co-operatives.

In the pre-war period there were several types of co-operatives. Though Czechoslovakia is an industrial country, there is almost a balance of industry and agriculture. The agricultural co-operatives were well organised and several of them were able to carry on through savings deposits of the rural population. This was true of credit co-operatives as well, which were all on Raiffeisen lines, and they enjoyed a very high reputation among the public. The bulk of the electric power in the rural areas both for co-operative creameries and other co-operative enterprises as well as for consumers and cultivators was supplied by a member of efficient electricity co-operatives. There was also an efficient consumers' movement in the industrial east though it was divided into sections representing Czech majority and German minority. In the rural areas the agricultural supply societies dealt in agricultural requirements and domestic necessaries and they had their wholesale society also. There was co-ordination between the consumers' movement and the agricultural supply movement.

(xii) **Yugoslavia**:—Yugoslavia is predominantly an agricultural country, the present population being three quarters of the whole. The co-operative movement is therefore chiefly an agricultural movement. After the second World War the country became a republic and the Government is in the hands of the communist party. Ever since the communist came to power, they have given the utmost importance to co-operatives, particularly the agricultural co-operatives in the development of the national economy. The Constitution of the Republic contains a definite article regarding co-operation. It says—"The State, in the interests of the people's well-being and of the proper utilisation of all economic possibilities, relies upon the State and the co-operative sectors of economy of production." The co-operatives are considered the best

instruments for the socialistic transformation of the country. They are, however, required to work in conformity to the planned economy of the country. A number of new co-operatives are being organised in the countryside. It is estimated that about 95 per cent of the peasants are now members of some kind of co-operative. Agricultural supply co-operatives have penetrated into almost every village. They deal in domestic and professional requirements and also undertake the sale of farm produce. It is not unusual to see a co-operative having more than one shop. Some societies have opened shops in distant towns also so that they can have a quicker and better sale of the farm produce, particularly perishable products. With the advent of the communist Government private trade and commercial banks have disappeared. All trade between villages and towns with the exception of that handled by the State ogranisations is in the hands of co-operatives and in the villages they are having the business almost exclusively. The tendency is to convert all agricultural co-operatives into a kind of general purpose society embracing all activities of village life. Several co-operatives have credit stations. But credit is now less important, as the peasants' debts had been concelled by the Government after the War and the peasants are generally prosperous and do not have the need to borrow. The co-operatives look to the two State banks for the funds they need. The societies are all on limited liability and have a committee of supervision and an executive committee. There are now over 9000 general purpose co-operatives. Apart from supply and sale, many societies now run restaurants and hotels and operate flour mills, bakeries, electric installations, saw mills, etc. There are still a few specialised societies such as cattle breeding societies, medical aid or health co-operatives, co-operative dairies, co-operative electricity societies, fruit processing societies, honey making societies, etc. The State has been encouraging societies to build community halls which can serve as social and recreational centres.

The structure of the movement is as follows. The general purpose societies are affiliated to a district union,

the district unions to a republican union and the six republican unions are united in a Federal Union which co-ordinates the movement as a whole and determines policies. The district unions are charged with the duties of training employees and committee members, auditing the accounts of societies once a year, and marketing of goods and supplying the requirements of societies for which purpose each district union has a commercial organisation.

The co-operative health societies of Yugoslavia have attracted the attention of the world. They sprang up after the first World War. Hospital and medical facilities were available only in large towns and people in the remote rural areas had untold sufferings. The co-operative health societies were devised to relieve their distress. Groups of villages joined together and farmed a society. Heads of families became members of the society and agreed to make a monthly contribution for medical services to be rendered by the society, the amount of contribution being in proportion to the number of members in each family. The society employed a resident doctor. The necessary buildings for the dispensary and residence of the doctor were erected by voluntary labour. The society also provided the necessary equipment and drugs. The doctor was expected to give advice to members free of charge and make a small charge (which went to the funds of the society) for visits to patient's homes, drugs, or operations. He was also expected to advice the village on the provision of pure water supply and the disposal of the sewage and to instruct women and young people in simple nursing, the care of children and the improvement of diet.

It is the avowed policy of the State to socialise the means of production by the organisation of collective farms which in Yugoslavia go by name of Peasant Labour co-operatives. Though they are more or less on the model of the Russian Kolkhozy, the Government of Yugoslavia have been trying to make the peasant proprietor accept collective farming voluntarily through propaganda, persuasion and offer of liberal concessions to collective

farms. The change-over from the old to the new order is therefore gradual and in stages as in Czechoslovakia, but there are four types of co-operative societies. In two types the land remains the property of the members and they are paid rent or interest on its value subject to a maximum of 30 per cent of the society's income in one case and at National Banks's deposit rate in the other. In the third type ownership of the land is retained by the member but not remunerated. In the fourth type ownership of the land is transferred to the society. Peasants are free to choose the type they prefer. In all cases they are paid for live and dead stock brought into the society. Every member is permitted to retain his house and a homestead not exceeding 2½ acres according to the size of his family and allowed to keep a limited number of animals and fowls. Members joining the fourth type surrender their lands to the society irrevokably. They cannot withdraw from the society, and if they withdraw they will get only sufficient land to support themselves and their families. The vast majority of the societies belong to any one of the first three types. The president of a society is paid a salary which is determined by the general body. The agricultural operations and other works on the collective farms are carried out by either grouping the members into brigades as in the Russian Kolkhoz and paying them according to work-day units or by group farming so as to have greater incentive to increase production by the members. In the group farming system, after the quota fixed by the society is handed over to it, the group members share the rest of the income. In other respects, the working of the co-operative is more or less similar to the Kolkhoz.

(xiii) **Hungary** :—In spite of the industrial development, Hungary is still a predominantly agricultural country. It had for several years before the second World War, a well developed co-operative movement and there were successful agricultural co-operatives and consumers' societies. Its two national co-operative organisations, the Rural Credit Co-operative Central (O.K.H.) and the consumers' central, the Hangya (the Ant) were widely known. In the second World War it was for a long time a battlefield and suffered

heavy devastation. The co-operative movement also suffered considerably. During the first three years of the post-war period, the new Government made many changes in the co-operative movement. The year 1948 witnessed further changes in the political and economic life of the country. The communist party came to power and made changes in the economic life of the country on lines similar to that in the U. S. S. R. Though co-operation was considered an important factor in building up the new economic system and the Government declared its policy in favour of the co-operative form of collective enterprise in agriculture, the co-operative movement was subordinated to State planning and policies and the co-operatives lost some of their co-operative characteristics. The central organisations of farmers' co-operatives and of consumers' co-operatives disappeared. A Central Union of Hungarian Co-operative Societies (M.O.S.Z.K.) was created by the Government and its board of directors were nominated by it. It was more or less similar to the C. C. C. of Czechoslovakia. In the beginning it was given wide powers and its functions were varied. It took over the functions of the Hangya and the Central of farmers' co-operatives. Later, the handling of the important agricultural products like wheat, potatoes, fruits and vegetables, wines, etc., was taken over by the State which established several national associations for the purpose. The national associations have no connection with co-operatives except that the local societies acted as the agents of the associaions. The activity of the M. O. S. Z. K. is now confined to the organisation of the new agricultural producers' co-operatives which are the co-operative collective farms of Hungary.

Co-operative education has been entrusted to an official body, the Co-operative Educational Council, without whose permission co-operatives must not hold any co-operative courses of instruction or training. The consumers' societies have been entrusted with the duty of buying agricultural products from the peasants and selling them to national associations. They have also been supplying the peasants industrial products. In short they function

more or less like the consumers' societies in the U. S. S. R. There are about 3000 consumers' co-operatives with over 6000 shops all over the country.

Though the agricultural producers' societies correspond to the Soviet Kolkhozy, they are organised on a voluntary basis through persuasion and propaganda. There are three stages in achieving the full fledged type of collective farm. In the first stage, only ploughing and sowing are carried on collectively, while the rest of the operations is attended to individually. The members contribute to the charges of ploughing, sowing and for the general upkeep of the farm in proportion to the land brought under collective operations. In the second stage, harvesting and threshing are also done collectively. The crop yield is distributed equally among members after defraying all expenses and providing for reserves. In the third stage, the members surrender their lands to the society irrevokably. They work in brigades and are paid on the basis of "work-day" units. At the end of the year, after meeting expenses and providing for reserves, the surplus is distributed among members. The members are also paid rent for the pooled lands up to 25 per cent of the net income of the farm. In all the three stages the help of the machine tractor stations is fully utlised.

(xiv) Bulgaria:—Like other countries of south-eastern Europe, Bulgaria also is predominantly agricultural. It is gradually changing its economy into a socialist economy. Agriculture is being reorganised on the pattern of the U. S. S. R. The collective farms are called Labour Co-operative Farms and are almost similar to the Kolkhozy. For the present, however, members of colletive farms retain their ownership of the lands. The income of the farms is divided among the members according to land and labour contributed. Each family is allowed to have an homestead up to one and a quarter of an acre for its personal use. There are machine tractor stations to assist the collective farms.

Before the second World War, there existed a well developed co-operative movement consisting of credit

banks, supply and consumer societies. In the present regime all co-operatives have been amalgamated and a number of general purpose societies have been created. There are now over 3000 such societies. They serve most of the villages. Trade between villages and towns is, for the most part, in their hands.

Bulgaria being a mountainous country, before the War there were many forest co-operatives. The forest labourers organised themselves into co-operatives, obtained contracts from the owners of forests, felled trees and converted them into timber for building use, fuel, etc.

(xv) **Rumania**:—This is another country now under communist Government looking up to the U. S. S. R. for ideas and model for socilising its economic life. As soon as it became a republic after the second World War, industries were socialised and land was distributed among the peasants. It is said that the division of land is only provisional and that the ideal is collectivisation of agriculture on a co-operative basis. Attention is now concentrated on o ganising agricultural co-operatives. There are about 12,000 societies serving almost every village. They have opened a number of shops and the trade between villages and towns is almost exclusively in their hands. State-owned shops are being established in towns and perhaps the co-operatives will be ousted from the trade in towns. The Government is also concentrating its attention on organising agricultural producers' societies so as to prepare the people for organising collective farms. In 1949 there were 7806 such societies which included 780 dairy processing plants, many pig and poultry plants, bakeries, canning plants, potteries, weaving establishments and many workshops. They were centres for mechanisation of agriculture, for loaning machinery to peasants and members of co-operative societies and for assisting them in marketing their produce. They functioned besides the machine tractor stations.

As in Bulgaria, there are flourishing forestry co-operatives formed by the forest labourers.

(xvi) **Poland**:—The co-operative movement suffered heavily on account of the two wars. There were many

Raiffeisen societies. The dairy societies made remarkable progress and before the second World War, 90 per cent of the butter exports of Poland was handled by co-operatives. There were also societies for marketing of meat, grain and eggs and the co-operatives exported large quantities of agricultural products to the English market. After the first World War, housing was one of the greatest needs in the reconstruction programme of Poland and a large number of housing societies came into existence. The societies provided economic and social services such as central heating, laundries, co-operative shops, schools, gardens for children, etc. There were also many efficient consumers' societies. After the second World War the country has come under the Soviet influence and obviously the co-operative movement must have undergone a change on the Soviet model.

CHAPTER IX

JAPAN

Introductory:—Writing on Japanese co-operation in his book, "Cottage industries and Agriculture in Japan", Sri Chaman Lal says—"I have been eight times round the world. In no other country I found so much co-operation among the people—rich or poor, industrialists or labourers, shop-keepers or Government servants." He adds that "for every sphere of public activity there is a co-operative society and a law to support it," and that "co-operative societies are a kind of Government in Japan which regulate both agriculture and industries." The Japanese have a natural disposition for co-operation and the sprit of co-operation prevails in every activity of Japanese life.

The modern co-operative movement had its beginning in 1900 when the co-operative law was introduced, though co-operation had existed already in the country in the indigenous "Mujins" and Hotakushas." A mujin corresponds to our chit fund system, the chit being disposed of either by ballot or auction. The collections of the first month are given to the most needy member of

the group for whom the "Mujin" is organised. The "Hotakusha" is an outcome of the "Mujin" and, unlike the latter, a permanent society for grant of loans to needy members from a fund formed of compulsory and voluntary contributions of members. Interest is paid on the latter. The "Hotakusha" also accepts deposits from members. In addition to its credit activities, it has undertaken social welfare activities as well . As in India, the co-operative movement was introduced by the State as a welfare measure to relieve the farmers of the hardships from usurers, unscrupulous traders and other absuses. It was based on that of Germany. The credit society was the first type of society organised and it was the starting and rallying point of all other types of co-operatives which came latter.

The co-operative movement has been thoroughly reorganised after the second World War. The old co-operative law, which was based on that of Germany, has been replaced by co-operative laws for the different types of co-operatives. Thus there are now (i) the **Agricultural** Co-operative Associations Law of 1947, (ii) the Consumers' Livelihood Co-operative Associations Law of 1948, (iii) the Co-operative Enterprise Law of 1948, and (iv) the Fisheries Co-operative Law of 1948.

In the old superseded co-operaive law, societies had been classified under four groups, *viz.*, credit societies, marketing societies, purchasing societies and utility societies (machinery societies). But almost all societies were concerned with more than one activity. The legal minimum membership in a society was seven. Societies adopted any one of the three forms of liability, *viz.*, unlimited liability, limited liability and liability limited by guarantee. Federations of societies could not have unlimited liability. In societies with liability limited by guarantee, the members were liable for the debts of the society to the extent of a specified sum over and above the holdings of shares. Only a very few societies adopted this form of liability. The maximum share-holding by a member was limited. The maximum borrowing limit of a society was five times its owned capital. Every member had only one vote and

voting by proxy was permitted to be exercised through a member. Societies were required to set aside at least one-fourth of their net profits towards a reserve fund. The entrance fees collected on shares were also taken to reserve fund. Societies generally created another reserve called the special reserve fund, which was similar to the foundation fund of a Raiffeisen society. This fund was purely voluntary and utilised for reconstruction of premises, depreciation of furniture, charitable purposes, death benefits, payment of bonusses on the marriage of members, etc. The statutory reserve fund was not the permanent indivisible property of the society. Though it was primarily intended to meet losses incurred by societies, each member could lay claim to it when he left the society or when the society was wound up. A member had a claim likewise on the special reserve fund also. His claim in the former was in proportion to the amount of his paid up shares, and in the latter in proportion to his business with the society. The rate of dividend on shares was restricted to a maximum of 6 per cent and in exceptional cases to 10 per cent. The use of the word "Co-operative" by others in their titles was prohibited. Societies were exempted from income and business taxes. Registration of societies and their liquidation were in the hands of the co-operative department of the Government. The law provided for election of auditors from among members in the same way as directors.

Agricultural Co-operation:—The agricultural co-operatives are now governed by the Agricultural Co-operative Associations Law of 1947 under which they are registered. The law recognises two types of co-operatives, one without share and the other with shares, but a co-operative without capital stock cannot make loans to its members or have banking business. Societies without shares collect from their members the expenses of administration. In societies with capital stock, the liability of a member is limited to the value of his shares. In non-stock societies, the liability of members is assessed pro rata. In a society with stock each member shall have at least one share but no share can be held jointly by more than one. Societies may

confine themselves to one activity or undertake more than one at the same time, but they must keep separate accounts for credit business and other business. The area of operations of a society with shares usually covers the village where it is located and a majority of such societies transact several kinds of business such as credit, marketing, purchasing, home industry, services, etc. Non-farmer members are also admitted in the societies, but they have no right to vote or elect directors at general meetings. They are treated as associate members. Societies can make their facilities available to non-members too, but the business with non-members should not exceed 20 per cent of the total business in a year. Societies should have a minimum of five directors and two auditors elected by the general meeting each business year. The election is by secret ballot. Three-fourths of the directors must be voting members. Co-operatives with more than 1000 voting members can have a delegate meeting, but the number of delegates must not be less than 200. The meeting of delegates can decide on amendments to by-laws and the dissolution of the society or the amalgamation of the society with another society. A society with capital stock may distribute its surplus only after the losses have been made up and a contribution to the reserve fund at not less than one-tenth of the surplus is made until it reaches half the value of the capital stock. The balance may be distributed as dividend on shares not exceeding 5 per cent and as bonus in proportion to the patronage of the society by the members. The minimum membership for the formation of a society is 15. No society can impose any special condition, which has not been imposed on other members of the society, on an applicant for admission into the society or refuse admission without sufficient reason.

Two or more societies can organise a federation of societies. The words "Agricultural Co-operative Association" or "Federation of Agricultural Co-operative Associations" should form part of the title of co-operatives. While co-operatives can undertake more than one activity, the activity of a federation is restricted. The district and prefectural federations covering more than two prefectures

cannot have credit and other functions together, *i.e.*, these federations will not be allowed to manage educational, cultural, welfare, credit and economic undertakings concurrently. Federations can admit as members co-operatives organised under other laws but they cannot have voting rights.

Before the Sino-Japanese War in 1937, the agricultural credit societies occupied a predominant place in the co-operative movement. During the War, when the State began to control the country's economy more and more, the State wanted to amalgamate rural co-operative societies and all non-co-operative organisations. In 1942 it passed the Agricultural Associations Law and amalgamated the co-operatives and the agricultural organisations into agricultural associations. In almost every city, town and village, an agricultural association known as the "Nogyokai" was established. Each prefecture had one federation of these associations. The associations and their federations transacted all kinds of business such as credit, marketing, purchasing, etc., and also did agricultural services. They also exercised guiding and controlling powers. The National Agricultural Co-operative Associations, through a staff of inspectors, controlled the local and prefectural associations. The associations were under the general control of the Ministry of Agriculture and Forestry. The National association was concerned also with assisting the State in planning and putting into execution national policies. All the farmers were compelled to join the agricultural associations in their areas and not allowed to resign from them of their own free will. In short agricultural co-operatives were suppressed for a short time.

After the occupation of the country by the Allies, the associations and their federations were dissolved and the co-operatives were revived by the passing of the Agricultural Co-operative Associations Law in 1947, the main provisions of which have been explained earlier. *In 1950 there were 34,518 agricultural co-operative associations registered under this law. Of these, 17,548 were with shares and 16,970 were without shares. Of the former, 13,312 were

* Year Book of Agricultural Co-operation, 1952.

general purpose societies. Many societies of the latter class were organised for sericulturists and they give advice to their members on sericulture or undertake the collective raising of silk worms.

The co-operatives have formed into a number of county, prefectural and national federations. There were 764 county, 366 prefectural and 23 national federations in 1950. The most important national federations were Guidance, Marketing, Purchasing, Health, Transportation, Agricultural Home Industry, Press and Information, Sericultural, Cultivation, Livestock and Fruits Marketing, the Central Co-operative Bank and the Ieno Hikari (Home Light Association) which is a co-operative publishing association. The Central Co-operative Bank is the national union of credit federations and functions as the central financial organ for agricultural, forestry and fishery co-operatives. Its officials are appointed by the Government. The National Guidance Federation is concerned with education and propaganda. Its other duties are to guide agricultural production and to act as a liaison organ for the agricultural co-operative associations.

The State is keenly interested in the organisation and development of agricultural co-operatives. In order to establish speedily agricultural co-operatives and assist them in their work, it has established national as well as district councils "for the rehabilitation of agricultural co-operatives," composed of men recruited from the co-operative movement and leading organisations concerned with agriculture and Government officials. In 1951 the Law for the Reconstruction and Rehabilitation of Agricultural Co-operative Associations was passed for the purpose of encouraging the co-operative movement to act in conformity with "Governmental procedures." The agricultural co-operative associations are given financial assistance so that within five years they can make their frozen credit and stock fluid, accumulate sufficient owned capital and generally build up a sound financial status. The co-operative department of Government has been given greater powers of supervision, inspection, etc., and to call for reports from societies. Japanese economy continues to be

under Government control which was introduced during the War and the agricultural co-operatives are almost the sole distributors of farm necessaries such as fertilizers and the sole agents of Government for the procurement of food grains and other agricultural products from farmers. The deposits of farmers in co-operatives are on the increase. It is said that a large part of the sums received by farmers from Government for their farm products is deposited in the co-operatives themselves which act as agents of Government for procurement of agricultural produce. At the beginning of 1951, the deposits of farmers in co-operatives were nearly 154,000 million yen, which worked out to 20 per cent of the savings of the entire nation. The agricultural co-operatives are also made use of to disseminate among farmers all official policies with regard to agriculture.

Agricultural co-operatives issue loans on the personal character of the borrower, on the security of a guarantor or on the mortgage of his immovable properties, but the last is the usual mode of security obtained. The rate of interest is usually 6 per cent per annum, but for short term loans the societies charge lower rates of interest at their discretion. If a borrower defaults in the repayment of the loan within the stipulated time, the society has the right to foreclose the loan and bring the properties of the borrower to sale in public acution. Societies are usually concerned with social services also such as rural education through libraries and lectures, rural recreation and improvement of agriculture by hoding crop competitions. A new activity which co-operatives for a long time were not permitted to udertake and which the new law permits them to undertake is the fire and life insurance business. A prefectural insurance co-operative federation was established for the first time in Hokkaido in 1948 and a National Insurance Federation of Agricultural Co-operative Associations in 1951.

Over 95 per cent of rice, wheat and barley is marketed by agricultural Co-operative Associations. About 80 per cent of fertilizers used by farmers are supplied by

co-operatives. The value of produce marketed by co-operatives in 1950 has been estimated at 2539 million yen and that of requirements supplied at 1067 million yen.

Recently the Japanese Diet has enacted a legislation providing for the purchase by the Government of the absentee owned farm lands and of the bulk of the lands from large resident land owners. The land will be resold, at low interest and slow amortisation, to the tenants who occupy it. This convertion of farm tenants into farm owners is expected to help the growth of the co-operative movement.

We have stated that agricultural co-operative associations can undertake more than one activity at a time. The Agricultural Co-operative Associations Law has listed out the fololwing twelve functions which they can undertake and they are:—(1) making loans, (2) receiving deposits, (3) purchase and sale of domestic necessaries and those required for industrial enterprises, (4) improving agricultural labour and production through co-operative farming, (5) provision of irrigation facilities, (6) processing, transporting, storing and marketing the goods produced by members, (7) provide facilities for the organisation and development of rural industries, (8) insurance of property of members against damage or loss, (9) making available those common services which will improve the living conditions and culture of the agricultural community, (10) conducting educational activities relating to co-operation and farming techniques, (11) accomplishing collective bargaining contracts on behalf of members, and (12) any activity incidental to the carrying out of items (1) to (11).

Consumers' Co-operatives:—The progress of consumers' stores was slow and there was some development only between the wars. They are governed by the Law on Consumers' Livelihood Co-operative Associations of 1948. Sale on credit which was universal among stores previously is now prohibited. Many stores deal in not only groceries but also milk and meat and have processing and productive activities. Under the law federations covering a wider area than a prefecture are not allowed to carry on processing or production of articles required by the members of affiliated

societies. Societies may sell to non-members, but such sales must not exceed 20 per cent of the total sales. The stores movement is mainly an urban movement. In the country side the general purpose agricultural co-operative associations supply the domestic necessaries of the people. At the end of 1951 there were 1230 consumers' societies with a membership of 2,453,915.

Fishery Co-operatives:—Fishery co-operatives have been in existence in Japan for a very long time. Japan derives considerable income from fisheries. Naturally the fishing industry occupies an important place in the national economy. There are many fishery schools and colleges and a few universities have separate departments for fisheries. The Government are maintaining a number of fisheries research stations and processing plants.

The fishery co-operatives are now governed by the Fisheries Co-operative Law of 1948. Many of them have undertaken co-operative marketing, purchasing, production, transportation and experimenting. They receive deposits from and grant loans to members. They also encourage subsidiary industries among members, improve harbours and creeks, increase the output of marine products and undertake salvage work. Like other co-operatives they must file with Fair Trade Commission copies of their articles of association, by-laws and names of their officers. In 1950 there were about 1500 fishery co-operatives with over 250,000 members.

Industrial Co-operatives:—Japan is always reputed for its remarkable progress in small-scale and home industries. Of them the International Labour Review for December 1950 states as follows—"Of special significance to industrially less developed Asian countries is the rise of Japan as an industrial power. With an economy, which in the nineteenth century was in many ways as backward as that of many Asian countries, and with territory not overendowed with natural resources, it has through its own efforts risen in less than a century to be the fifth greatest industrial power in the world. The phenomenal development is due to careful planning, the integration of industry with

agriculture and not least important, the introduction of a multitude of small-scale industries which through the adoption of scientific methods of manufacture and modern technique are responsible for much of its industrial output. Home factories using electric power and modern equipment and manned by members of the family with the assistance of some hired workers form the case of Japan's many light industries." "Before the Sino-Japanese War, 54 per cent of all industrial undertakings in Japan were one-man workshops and 40 per cent small plants with less than five workers. They were engaged in every considerable type of industrial activity normally associated wih large-scale industry. In the post-war industrial economic reconstruction considerable importance has been laid on the expansion of home industries and the utilisation of home-grown raw materials. Every home factory depends on electric power and it is estimated that about 90 per cent of all buildings in Japan are provided with electricity. Small-scale and home industries are highly standardised and each small-scale factory or home factory produces certain of the articles according to specified standards. These component parts of a whole machinery unit are later assembled in a few places. The Government have constituted a national board of small industries to guide and assist their development. The policy of the Government is to encourage these industries in rural areas so that the surplus labour and raw materials available there may be utilised." Most of these industrial workers are organised into co-operatives which take care of the industries, provide necessary capital required for the idustries and have full authority to supervise them. The societies help in organising industries, introducing new techniques, supplying raw materials and disposing of manufactured goods. They maintain a strict watch on the quality and quantity of manufactured articles and in fixing sale prices for local markets. They have contacts with agricutural, fisheries and forest societies in rural areas. The Central Co-operative Bank provides funds to the co-operatives when the latter submit definite plans for the organisation and development of industries. The societies work under the guidance and control of the

Ministry of Agriculture which has listed out a number of village industries to be encouraged by the societies. The Government gives training to village technicians for rural industries in a number of model factories for short courses in agricultural industries and generally for industrial education of the boys and girls. According to Co-operative Enterprise Law, which governs the working of societies, societies can admit only persons having common "production characteristics," but those who are not eligible for admission but need the services of the societies may be taken in as non-voting associate members. Societies can transact business with non-members also but the business so conducted should not exceed 20 per cent of their total business. *"They have as their aims, joint purchasing, joint marketing, joint storage and preservation of perishable stuffs, joint packing and shipment, the establishment of joint facilites for manufacture or processing and joint inspection to maintain standards and quality. In June 1947 there were in Japan 326 co-operative societies engaged in metal trades, 361 in machines and instruments, 284 in chemicals, 224 in ceramics, 1163 in textiles, 65 in book binding, 698 in food stuffs and numerous others in small industries making a total of 7553 with a total membership of 809,456. Though a large proportion of the industrial co-operatives of Japan are centred round the home factory, many of them are also factories for small-scale industrial workers. The interests of the latter are not entirely identical with those of the home factory worker, who in many cases is a member of the family unit. Nevertheless, for the purpose of industrial production, the co-operative organisation of workers' productive societies affords them the same facilities and economic advantages, while also providing for administration and management on a co-operative basis." The women of Japan are the backbone of the small-scale and home industries and it is no exaggeration to say that the industries are flourishing because of the large part they are taking in them. Most of them have been admitted into co-operatives and relieved from the clutches of the home-work contractors.

* The International Labour Review for December, 1950.

Non-Agricultural Credit Co-operatives:—The Co-operative Enterprise Law of 1948 permits the establishment of non-agricultural credit co-operatives. These co-operatives can receive deposits, make loans, discount bills and do general banking business, but the deposits or loans of non-members should not exceed 20 per cent of the total outstanding of deposits and loans. They cannot have any other activity besides credit and banking business.

The Co-operative Enterprise Law of 1948:—This is the general co-operative law applicable to all types of societies except those established under special co-operative laws. But all co-operatives without exception must file with the Fair Trade Commission copies of their articles of association, by-laws and names of their officers. A co-operative has been defined under this law as an organisation which conducts its business primarily for the mutual help and benefit of its members, each member having only one vote in its affairs irrespective of the number of shares he holds and the surplus income being distributed to members in proportion to their patronage of the society. The Commercial Code of Japan applies to co-operatives regarding their organisation, registration, operation and dissolution. The use of the word "co-operative" and its cognate terms has been protected. Shares of a co-operative may not be transferred but may be redeemed. No one should be refused membership because of race, creed, colour, sex or political beliefs and no special conditions not imposed on other members should be imposed on an applicant. Voting by proxy is allowed through a member only, the proxy being in writing and no member voting more than one proxy. A member can be expelled from a co-operative by a majority vote of members for violation of by-laws and refusal to comply with obligations. No registered corporate body having a legal existence can be a member of a co-operative, but two or more co-operatives can form into a federation which is subject to the provisions of the Trade Associations Law and which cannot engage in the activities of individual co-operatives except those authorised for trade associations. No member may hold more than 25 per cent of the subscribed shares of a

co-operative. No director of a co-operative should be an officer or director of an organisation which competes with the co-operative or has business dealings with the co-operative. A director of a co-operative is prohibited from being a director of more than three incorporated bodies except those which are non-profit organisations. Every co-operative is required to present to its members, at frequent intervals, a report on its financial position and working. Societies are exempted from payment of income-taxes on income distributed to members. The law also provides that any person or enterprise violating any of the provisions of the law shall be liable to fine of not more than 5000 yen or imprisonment for not more than five years. The law defines the activities permitted to be carried on by consumers' societies, producers' societies, credit societies, insurance societies and other types of societies.

CHAPTER X

CHINA

Brief history:—The co-operative movement of China has developed only in the last thirty years. It may be said to have been born of famines and floods. The initiative for its organisation came from the International Famine Relief Commission in 1924, though earlier in 1919, Professor S. Y. Hsieh of the University of Fun-Tan organised the first co-operative savings bank at Shangai and published a weekly paper devoted to the propagation of co-operative ideals and experiences in other countries. But these early attempts made no progress until after the initiative from the International Famine Relief Commission which organised farmers' co-operative credit societies in North China. The societies were on Raiffeisen lines for supply of credit and other agricultural requirements. In the beginning they received loans from the Commission and the Chinese banks, chiefly from the Farmers' Bank and the Bank of China which were not co-operative banks. In every province there was a Bureau or Committee for

co-operation with a staff of touring inspectors and organisers. The Bureau was an official body set up by the Government while the Committee was composed of non-officials. The Bureau or the Committee recommended loans to the Farmers' Bank or a commercial bank. Several banks employed their own organisers and granted loans directly to village co-operatives. The Yangste flood in 1931 gave a fillip to the movement. Co-operatives were organised by official agencies, banks and a host of private bodies. The progress was so rapid that by the end of 1938 there were over 64,000 registered societies *"of which 85.91 per cent were credit, .38 per cent supply, 10.97 per cent production, 2.3 per cent marketing, .41 per cent consumers', .03 per cent public utility. In addition to these there were 638 'chu' unions (a chu being a subdivision of a hsien) and 73 hsien or county unions. There were also 17,815 mutual aid societies or hastily formed, rough-and-ready associations to which loans were made, in the expectation that they will be converted into registered co-operative societies within a year." The League of Nations deputed a Co-operative Adviser to the Chinese Government, who for several years guided and encouraged the movement. The movement was predominantly agricultural. The progress in urban areas was slow.

The Sino-Japanese War in 1937 gave an impetus to the expansion of the movement in the consumers' and producers' societies and the movement became increasingly non-credit. Co-operative financial institutions were also set up. *In each province a number of "hsien" co-operative banks were formed for units known as hsiens or counties. The lead was taken by a semi-Government organisation known as the Agricultural Credit Administration, which was liberally supplied with funds by the central Government. Some of the hsien banks were also formed by the commercial banks. The law required that the share Capital of a hsien bank should be 100,000,00 dollors. As the co-operative societies were not in a position to subscrible such a large sum, the bulk of it was supplied by the Agricultural Credit Administration assisted by the Government.

* **Year Book of Agricultural Co-operation, 1940.**

The societies were members but held an insignificant part of the share capital and a small representation in the management of the bank. Each bank had a board of directors and a board of supervisors, the latter being charged with the duty of auditing the accounts of the bank. The former consisted usually of seven directors and the latter three directors, and in each of these bodies there was one co-operative representative. The hsien banks were more or less branch offices of their parent institutions.

A co-operative law was enacted in 1934 and proclaimed in 1935 and there was a proposal to further amend it when the Sino-Japanese War intervened. There was no minimum membership for a society, though in practice no society was foremd unless it had sixty members. Liability of the members was limited to a multiple of the share value subject to a maximum of twenty. Each member was required to take a minimum share of 2 dollars. Only heads of families were eligible for membership. There was no provision for external audit of societies. The reserve fund of a society must be invested outside.

There has now been a move to make the rural co-operative society the village co-operative centre and consequently a reorganisation of the movement is going on. A large number of multi-purpose co-operatives have been organised. According to the new system of local Government administration, the villages and county towns are divided into "chias" and "paos". A "chia" consists of ten families and a "pao" ten "chias" or one-hundred families. Under this new system, the co-operative is regarded as the basic economic organisation of villages and towns. Each "pao" has a co-operative society and it undertakes numerous services for its members. *"In addition to helping the organisation of agricultural production, they are responsible for arranging medical treatment, providing credit, setting up village schools, furnishing loans for building and even financially assisting couples to get married."

* Co-operative Infoimation No. 1 of 1951 of the I.L.O.

In 1951 there were 42,425 co-operatives of all types with a membership of about 51 million. Agricultural supply and marketing societies formed 86.7 per cent, consumers' stores 9.5 per cent, producers' societies 2.4 per cent and others 1.4 per cent of the total number of societies.

Structure of Co-operatives:—Local societies are grouped in sub-county (chu), county (hsien), provincial and regional federations and over them all is the National Federation, the All-China Federation of Co-operatives which was established in 1950. There are six regional and 28 provincial federations. The functions of these federations are to give direction to their members, undertake such work as involve more than one society and generally to co-ordinate the work of member-societies, and establish trade relations with the State trading concerns.

Supply and marketing societies:—They form the vast majority of the societies. They market all farm products such as grain, cotton, jute, etc., as well as the products of their members' handicrafts and subsidary occupations. They also supply their members with implements, fertilizers, seeds, insecticides and domestic necessaries such as fuel cloth, etc. The State-owned trading organisations supply them with low priced consumer commodities and give them priority when purchasing farm products.

Consumers' societies:—During the War and since, consumers' stores have developed and acquired importance. In 1951 there were 4435 stores with over six million members who were mainly drawn from urban areas and from among workers and Government officials. Several other co-operatives have also undertaken, in addition to their normal functions, the distribution of groceries and consumer goods. The National Co-operative Wholeselling and Marketing Agency attends to the requirements and marketing of the industrial and consumers' societies. It has its branches in the several provinces.

Producers' co-operatives or Industrial co-operatives:—Another line of development during the War with Japan was the organisation of the Chinese industrial co-operatives which had done much to support the war effort and whose

remarkable work had received wide publicity throughout the world. The origin of these co-operatives is an interesting study. During the War China lost almost the whole of its modern industry which was concentrated in a few coastal cities. The Government has to face the problem of supplying the immediate necessities of the population and the articles required for the equipment of the armies and preventing the infiltration of enemy-made goods. At the same time they were also faced with the problem of maintaining the vast refugee population evacuating the coastal provinces and finding an employment for them. Instead of maintaining them in idleness, the Government decided on mobilising them for producing consumer goods and also reconstructing the country's industrial production. They organised them into a number of industrial co-operatives which were small mobile workshops. A separate department known as the Central Headquarters under the Executive Yuan or Cabinet was formed and it was charged with the duty of organisation and development of industrial co-operatives. The co-operatives were financed out of a grant of 5 million dollars from Government supplemented by advances from banks and private donations. Under the Central Headquarters there were seven regional headquarters and at district level there were depots which were the real spear points for the promotion of industrial co-operatives. The depot manager was responsible to the regional headquarters and the latter to the Central headquarters. The Central headquarters consulted the regional headquarters before loans were granted to co-operatives. The staff of the Central and regional headquarters and of the depots audited the accounts of the industrial co-operatives, helped new societies to get on their feet, advised societies on business and technical matters, procured tools and machinery required and generally educated members, officers and managers to understand modern techniques. They also trained women in cottage and small-scale industries and organised women's co-operatives. There were training schools for workers at each of the regional headquarters. The central headquarters took decisions on all policies relating to societies. The societies in a locality

or according to industries formed into district and regional federations.

*"The district federations have set up schools, hospitals, dramatic societies and sports clubs and some of them have established supply and marketing stores and credit and savings departments. These departments raise loans, distribute credit to the co-operatives and encourage saving among them. The supply and marketing stores provide the co-operatives with raw materials and collect their products for marketing. They also help to co-ordinate activities and to introduce a measure of planning and standardisation into co-operative production."

The industrial co-operatives were of three classes, *viz.*, smaller units of "guerilla industry" in the fighting area with portable equipment, supplying the immediate needs of the troops and the public, the middle zone units with light machine tools in areas likely to become battle fields or subject to occupation by the enemy, and the larger third zone units with heavy machinery located farthest from the coast.

Detailed information is lacking about the present position of these industrial co-operatives. Co-operative Information No. 4 of the International Labour Office, 1952, gives the following account of their working. There are two main types of producers' co-operatives, *viz.*, handicraft and farm producers' co-operatives. The former type includes handicraftsmen in towns and villages, and are organised according to trades such as small-scale mining, shoe-making, food processing, rug-making, dress-making, wood carving and cloth weaving of various kinds. Their chief function is to market their members' products and supply them with raw materials and other equipment for production. They also give their members advice on how to improve production, management and techniques. There are now 967 such co-operatives with 221,472 members throughout the country. Some of them offer the advantages of the purchase and joint use of machinery by their members

* Second Report of the I.L.O. prepared for the Preparatory Asiatic Regional Conference at New Delhi in 1947.

and some have a machine unit or a cottage factory where members can do part or whole of the industrial process.

The agricultural producers' co-operatives have been organised by the peasants with the aim of increasing agricultural output and raising living standards by the pooling of land, labour, farm equipment and capital. There are over 200 such co-operatives, all of them in North China. Their development, however, is retarded by the scarcity of machinery, equipment and trained cadres available in China at the present time. This has consequently led to the wide development of mutual aid teams in all areas where land reform has been carried out, and about 55 per cent of Chinese peasants are stated to be working on this basis.

The State and the co-operative movement:—The State has been giving its support to the movement from the beginning. The Chinese Constitution of 1946 included in its chapter on fundamental policy of the nation a provision that "co-operative enterprises shall be encouraged and protected by the Government." Co-operation was given an inportant part to play in the plan of economic reform adopted by the Council of State in August 1947. In 1948 the amended Act on agricultural associations gave a direction to them to encourage and assist the establishment of village co-operatives. The State gave a similar direction to workers' unions to organise productive, consumers' and credit co-operatives. *"The Common Programme. basic law of the People's Republic, adopted by the Chinese People's Political Consultative Conference, gives an important place to co-operative enterprise in the national economy. Thus article 38 of the Common Programme states—'The broad masses of the working people shall be encouraged and assisted to develop co-operatives according to the voluntary principle. Supply and marketing co-operatives, as well as consumers', credit, producers' and transport co-operatives shall first be organised in factories, institutions and schools'."

The co-operative department of the Government is the Central Co-operative Administration and it deals with

* Co-operative Information No. 4, 1952 of the I.L.O.

registration and dossolution of co-operatives. It has only a general control over the audit of societies which function has been entrusted to the audit committees of the societies themselves. These committees are required to submit an annual report to Government. The Central Co-operative Administration acts throughout the country through the provincial departments of Social Affairs or the provincial Co-operative Officers, the Social Affairs Offices of certain municipalities and the district co-operative services. In the provinces and the districts it employed 5514 officials on 30th June 1947.

Some special features :—The movement is still predominantly agricultural, though since the Sino-Japanese War there has been development on the non-agricultural side also.

(2) The co-operatives have not built their owned funds (share capital and reserves). The Chinese Co-operative Law requires that every member should take at least one share of the value of 2 dollars and it is said that most members have not paid anything more than that sum. The by-laws provide for societies receiving deposits from the public, but very few societies have been able to obtain deposits.

(3) The co-operatives consequently depend for funds upon the Farmers' Bank, the Bank of China, other commercial banks and the "hsien" banks. They could not invest substantial sums as shares in the "hsien" banks which were formed separately for financing them with the result they could have only insignificant representation on their boards of management.

(4) There is no provision for external audit of societies. The audit is left to the societies themselves.

(5) One landable feature, however, is the quality of human material, on which the success of the movement depends, and it is said to be admirable. According to Mr. W. K. H. Campbell, former Co-operative Adviser to the Government of China under the auspices of the League of Nations, *"Wilful default (in primary

* Year Book of Agricultural Co-operation, 1938.

societies) is practically un-known, and the problem of overdue loans, which is usually the cause of so much anxiety, bulks less large in China than any country of which I have knowledge."

CHAPTER XI

OTHER ASIAN COUNTRIES

(i) **Israel**:—The co-operative movement of Israel is the Jewish co-operative movement. Two factors influenced the origin and development of the co-operative movement. The Jews who had for a long time no land of their own, returned to their fatherland after the first World War to settle on land. The land was poor and the settlers lacked experience in agriculture and were unaccustomed to physical labour. They were compelled to form a new form of society based on social justice and prevent the evils of modern economic system. The co-operative movement owes its origin and growth to the help and encouragement given by the Jewish National Fund which is the national institution of the Zionist Movement for the redemption of land, its reclamation and settlement.

Co-operation in Israel may be classified under two broad heads, *viz.*, Labour Co-operation and General Co-operation. The first is mainly concerned with labour settlements which developed mixed farming like poultry raising, dairying, fruit growing, fish breeding, etc., The agricultural settlements are of two types, *viz.*, the collective settlement (Kvutza) and the small holders' co-operative settlement (Moshavei Ovdim). The farmer is a communal settlement where all work is performed collectively, property is commonly owned and all members receive according to their needs. Here no money is used or is necessary within the community. This type of settlement has been described at length in VII chapter. The latter type is based on holdings owned individually but organised on co-operative lines for the marketing of their products, purchase of essential requirements and the provision of

communal requirements. Societies of the former type are nearly twice those of the latter type. The land is held by the societies (settlements) on lease from the Jewish National Fund. The Co-operative Marketing Agency of the agricultural settlements is the central selling agency for agricultural products. There are a few consumers' societies in the settlements of the second type and they have a wholesale stores. They deal in consumer goods as well as agricultural requirements.

Passenger and goods transport societies plying vehicles in a network of routes and co-operatives providing employment to new immigrants in public works, building and road construction, etc., belong to non-agricultural labour co-operatives. The latter type of co-operatives are federated in an organisation called *"Solel Bonch" which is the largest public works and building contracts institution in the country. It is now the contracting department for the Federation of Jewish Labour (Histadrut) and employs over 4000 workers.

There are also industrial societies and credit societies. The credit societies which have played an important part in the building and settlement activities of the country are affiliated to audit unions. They provide short term loans for periods up to 15 months and medium term loans for periods up to 5 years. There are central institutions like the Workers' Bank, the Central Bank for Co-operatives, the Artisans' Bank, the Audit Union of Credit Societies and the Jewish Farmers' Federation.

There is a co-operative department headed by the Registrar and he is advised by a Co-operative Council consisting of representatives of all branches of the movement. The movement is under the control and guidance of the Registrar, who is responsible for the audit of the societies.

The movement among the Arabs has made little progress.

(ii) **Cyprus**:—Though Cyprus is a small country, the co-operative movement is well developed. The co-operative

* Review of I.L.O. for December, 1950.

law of 1939 is based on that of Ceylon. There is a co-operative department under a Registrar who exercises control of supervision and audit of societies. As Credit was the dominant problem of Cyprus, credit and thrift societies have developed more than other types of societies. There is a central bank of the federal structure for financing societies. Besides credit societies there are other types of societies like consumers' societies, wine making societies, olive oil and kernel producing societies and societies for marketing of citrus fruits, potatoes, raisins, etc.

*A thrift movement was inaugurated in 1950 by the Departments of Co-operation and Education by the establishment of school savings banks in about 265 schools with 20,172 children participating in the scheme. In 1950 the savings amounted to £8500 a week. Each child is given a pass book. The children deposit small sums weekly and they are invested in a co-operative society. The accrued interest at the end of each year will be used for some purpose as excursions. The object of the scheme is to inculcate the habit of thrift in the young.

(iii) **Turkey**:—Co-operative credit societies cover a quarter of the villages in Turkey. Marketing co-operatives come next. They are concerned with not only marketing (export trade) in dried fruits, cotton, nuts, etc., but also with the supply of requiremets of agriculture. Membership in marketing societies is compulsory on all members of credit societies in areas where marketing societies exist. There are separate societies for the use of machinery. Consumers' societies have been organised generally on an occupational basis. The industrial co-operatives are mostly for weavers. Marketing societies have formed unions, each union specialising in a single commodity.

The Agricultural credit, agricultural marketing and other types of societies are governed by different laws. But the registration of societies and of the amendments of by-laws are with the Minister for National Economy and Commerce, who has also the power to appoint the staff of societies. The Agricultural Bank, a State institution, exercises control over agricultural credit and marketing

* Year Book of Agricultural Co-operation, 1951.

societies and audits their accounts. It exercises close supervision over societies and in cases of infringement of law or by-law it has power to dissolve and wind them up. It is the financial centre of agricultural co-operatives. The rural credit societies are based on unlimited liability. The co-operatives are classed with commercial companies under article 121 of the Commercial Code.

A special feature of the Turkish movement is that the superstructure came first in the form of unions in exporting centres and the primary societies were organised later to bring business to the unions. Similarly the Agricultural Bank organised rural credit societies when it had funds available. The movement is directed from outside by the Agricultural Bank and the Ministry of Economics and Commerce who have over-riding powers over the decisions of the general bodies of societies. There is no proper co-operative institution for the promotion and supervision of societies or for co-operative education.

(iv) Pakistan :—The Co-operative movement of Pakistan is similar to that of India. Co-operative Societies Act II of 1912 (India) forms the basis of the movement. At the end of the year 1949-50 there were over 49,000 societies of which credit societies formed the majority. In each of the constituent States the movement is under the control of the Co-operative Department headed by the Registrar.

Since 1948 there is an increase in the number of multi-purpose societies and they are assuming increasing importance. In East Bengal there are 4000 revenue units called unions and each union consists of a number of villages with a total population of 10,000. There is a programme to replace all single purpose agricultural co-operatives by multi-purpose societies at the rate of one per union. In Sind, such multi-purpose societies known as "taluk banks" are organised at the rate of one for each taluk. In the West Punjab, in addition to rural credit societies, there are central multi-purpose societies with a sub-division or district as the unit.

*A feature of post-partition (partition from India) co-operative development is that the movement is tending

* Year Book of Agricultural Co-operation, 1952.

to become commercialised. Commercial banking has become a sideline with some central banks, and trading by them is not uncommon.

An Agricultural Finance Corporation has been organised for financing agricultural operations and development of agricultural co-operatives with a capital of Rs. 50 million. It offers financial assistance to agricultural co-operatives, particularly in respect of land improvement and marketing. The All-Pakistan Co-operative Marketing Federation, a federal society whose membership is confined to co-operatives, aims at promoting trade between the East and West Pakistan and assisting producers and consumers. There are successful jute marketing co-operatives in East Bengal and cotton marketing societies in West Punjab. There are several land colonisation societies for ex-servicemen in the West Punjab and societies for consolidation of holdings in the North West Frontier Province.

(v) Ceylon:—In the small island of Ceylon, south of India the co-operative movement which was introduced as in India by the Government of Ceylon, a few years after it was introduced in India, has made rapid progress. The Review of International Co-operation, 1942 says—"the history of co-operation (in Ceylon) is regarded by authorities on Colonial Co-operation as an outstanding example of the successful application of co-operative methods and principles to agricultural co-operation." There are now 8200 societies of diverse types, though the movement started with co-operative credit societies. The second World War saw a great drive for consumers' stores and at the end of 1952 there were 3408 stores and in point of number they lead all other types of societies. The retail stores which work mostly on their working capital are mostly in rural parts. There are 2794 rural stores, 419 urban stores and 205 stores in estates. There are also 793 school co-operatives supplying the stationery requirements of the students. There are 98 wholesale stores (unions) operating with 105 wholesale depots. Since July 1950 the Co-operative Wholesale Establishment which was originally a Government department is an autonomous wholesale stores having considerable influence on the cost of living

in Ceylon. It was established under an Act of 1949 and its board of directors have been appointed by the Government. It owns a shipping service and a fleet of a hundred transport vehicles. It has eleven branch depots at the rate of one for each province. It imports vast quantity of textiles from Japan and other articles from several countries. The value of merchandise handled by it in 1952 exceeded Rs. 99 million. It has recently established an Insurance Department and a Printing Department. The former department transacts motor, marine, burglary, fire, cash-in-safe asd fiddlity guarantee insurances.

Next in point of number are the credit societies of which there are about 2500. The rural credit societies are based on unlimited liability. There are nine provincial co-operative banks and at the top of them all is the Co-operative Federal Bank of Ceylon.

There are over 900 marketing and production societies, 20 transport societies, 2 land mortgage banks and 78 societies of micellaneous types. The credit societies are grouped under 81 credit unions (similar to the supervising unions in Madras) and there are nine provincial unions which are concerned with education and propaganda. As yet there is no co-operative union for the entire island.

The marketing and production societies have also combined into 22 unions. The Co-operative Central Market in Colombo, which has been quite recently established arranges for the sale of produce of marketing and production societies. It handles considerable quantity of vegetables. Colombo Milk Supply Union has with the aid of an interest-free loan from Government, installed a pasteurising plant and bottling plant and is taking steps to step up production of milk. A notable advance has been made in fish marketing on a co-operative basis. The Fish Sales Union with its 42 fishermen's societies cover the entire island. The fishermen's societies are of two types, *viz.*, the co-operative fishing societies which collectively own and maintain the equipment and the fishermen's credit and sale societies which allow individual ownership while lending for repairs, replacements

and subsistence. Fish is sold through the societies which charge a commission on sales.

The latest development is the organisation of co-operative hospital for the small man and the middle class salary earner of which there are now five.

The co-operative law of Ceylon is more or less on the lines of the Indian Co-operative Societies Act II of 1912 with certain modifications. There is a co-operative department with a Registrar who exercises almost similar powers and functions as the Registrars in the States of the Indian Union. The department has a Publicity and Information Branch which publishes a fortnightly newspaper, the Samupakarayu, devoted to co-operative matters and arranges cine film shows, radio talks and co-operative dramas. Steps are being taken for the organisation of co-operative youth clubs and women's guilds on the lines of those in the United Kingdom and Sweden. Audit of societies which is the statutory duty of the department is controlled by a separate Audit Branch under the Registrar.

(vi) **Malaya**:—In Malaya, as in India, the movement began with credit societies. Malaya can be said to have drawn inspiration from India. The co-operative law is modelled on that of India. It has a co-operative department charged with the task of developing and administering the co-operative societies. The movement started only in 1922 and it is stedily progressing. There are several urban thrift and loan societies for salary earners and estate labourers. There are also a few consumers' stores, marketing and processing societies. There are four urban unions, four banking unions of the Raiffeisen type and two federations of rural societies. The banking unions are financed by the Government and they function as central co-operative banks.

(vii) **Indonesia**:—In Indonesia the movement has developed slowly. In 1927 a co-operative law modelled on the Indian Co-operative Societies Act II of 1912 was enacted. Though there is a co-operative department, the power of supervision and audit has been delegated to co-operative centrals which are registered as co-operatives with primary co-operatives as their members. The board of management

of a central is composed of representatives of co-operative societies and a few others interested in co-operatives. The centrals function as banks for their affiliated societies. They are generally self-supporting, their expenditure on supervision being met by the affiliated societies. Only occasionally the Government subsidise them. They have formed the "Co-operative Mother Central." It is purely a financial institution with no supervisory work. The credit societies form the principal type of societies. There are about a dozen successful rubber marketing societies. There are also what are known as Debt-Liberation Co-operatives to free the members' property from encumbrances and debts on the property. A society of this type takes over the property of the members *"in liens based on 'adat' (customary law), thereby getting the right of disposal" of the harvested crops from the fields. Furthermore, the society arranges for joint marketing of the members' produce, recovers the instalments of loans due from the members and pays the balance of the sale proceeds to them. There are also "lumbung co-operatives" which are societies with storage facilities. Some societies undertake the safe custody of seed paddy belonging to their members. Some others supply credit to members in paddy to be repaid in paddy after harvest. There are yet some others which supply credit in cash and recover the debt in paddy. A fourth class of societies take up paddy, equivalent to the land revenue, to be sold and the land rent paid on behalf of members. The trend now is towards the organisation of multi-purpose societies.

(viii) **Thailand**:—The co-operative movement in Thailand began in 1916 with an agricultural credit society. Agricultural credit societies lead all other types of societies. They are on Raiffeisen lines. They issue loans for short term and long term. Until 1947 the Co-operative Department shouldered the entire responsibility for all the credits issued to societies and performed the functions of a co-operative central bank. In 1947 a co-operative central bank was established, but the Co-operative Department continues to serve as an important link between the bank

* Year Books of Agricultural Co-operation, 1951.

and the societies. There are a few land hire-purchase societies, colonisation societies, land improvement societies, consumers' societies, producers' societies and marketing societies. The paddy marketing societies have developed well. They sell paddy to mills of the Thai Rice Company.

CHAPTER XII

THE UNITED STATES OF AMERICA

Introductory:—Co-operation in the U. S. A is predominantly a farmers' movement. It is strongest in the rural areas. Unlike the United King'om and France, the farmers to whom the idea of co-operation was nothing new took the lead and agricultural co-operation started earlier and developed faster than urban co-operation. Some of the earliest manifestations of co-operation were the mutual fire insurance, farmers' buying clubs, cheese factory and creamery.

Several factors influenced the organisation and development of co-operatives among farmers. The basic trouble was agricultural overproduction and consequent low prices. The high freight rates charged by the railways for transport of farm products to market centres, the high rates of interest charged by the bankers on farm mortgages, the high prices charged by merchants for machinery, agricultural requisites and consumer goods and the large profits made by the middlemen in selling farm products to city traders added to their distress. They lacked guidance and advice in their troubles. The United States Department of Agriculture was not started until 1862. It was not until that year "land-grant colleges" in the States were established and authorised to carry on agricultural studies. (In 1862 Morrill Land Grant College Act was enacted, by virtue of which public lands were granted to the several States according to their representation in the Congress. The income from these lands was to be devoted to the establishment and maintainance of institutions where instruction would be given in agriculture chiefly.) Without much informed guidance, therefore,

the farmers wanted to fight those sources which were responsible for their troubles. A number of farmers' professional and political organisations like the Grange, the Farmers' Equity, the Farmer' Union, etc., sprang up. These organisations may be compared to the syndicats agricoles of France, as most of them set about strengthening their members' economic position and in some cases also their own financial resources by the formation of co-operatives. In the early days they emphasised co-operative buying more than co-operative selling, but as they gained strength co-operative marketing of farm products became their most important projects. Even today they are the strong supporters of the agricultural co-operative movement. Though they cannot claim the sole honour of having developed co-operative marketing, they have by no means played a small part in this respect. Considerable help came also from the agricultural population who emigrated from Denmark, Germany, Norway, Sweden and Finland and who had had experience of the working of co-operatives in their own countries.

Agricultural Co-operation :—

I. Marketing Associations.—Co-operative marketing associations lead other types of co-operatives. In 1949-50 there were 6922 associations with over 4 million members and a business turnover of 7083 million dollars. They are organised on a commodity basis for the reason that an association can work successfully, only if it consists of producers with similar interests, that is, producers having production and marketing problems alike. For, if there is a divergence of producers' interests, there is difficulty in allocating costs between the different products and the task of intelligently marketing each of many products. Therefore, there are separate marketing societies for dairy products, grain, cotton and oil products, livestock, wool, poultry and eggs, fruits, vegetables and nuts, etc.

Co-operative marketing of dairy products is the oldest and as regards the volume of business the most important. In 1949-50 there were 2008 associations with 806,000 members and they turned out a business of 2032 million dollars. About a quarter of the nation's consumption of fluid milk

and cream is sold by co-operatives, and 40 per cent of butter, 16 per cent of cheese and 7 per cent of milk powder are manufactured in plants owned by co-operatives. Since the second World War many associations have undertaken the manufacture of skim milk powder and it is estimated that they account for more than half the nation's output of skim milk powder. Perhaps in no other field have co-operatives been as widely developed as marketing of milk and dairy products. Their progress has been most marked in Wisconsin and Minnesota States where butter and cheese are manufactured on a large scale. There are four types of co-operatives, namely the local cream pools, local co-operative creameries, co-operative centralised creameries and butter sales agencies. The first is to be found in areas where farmers produce a small amount of cream. The farmers around such a society deliver their cream to it and the cream is usually sold to a creamery of the centralised type. The second type, the co-operative cremery, gets sweet cream or whole milk delivered every day by its members. The third type exists in areas where there is not sufficient cream or milk available to work a local creamery. Societies of this type are few. They draw supplies from a wide area. The fourth type is concerned with the sale of butter. It is set up by the local creameries. The best known federation of local creameries is the Land-O'-Lakes Creamery in Minnesota which sells butter under the brand "Land-O'-Lakes". The sale of butter in the U. S. is now with five such large federal agencies. The fluid milk associations are of two types. One type receives milk and distributes it to retailers and the other type is a mere bargaining association which leaves distribution to traders. Many associations belong to the second type. The National Co-operative Milk Producers' Federation is the national organisation of co-operative dairies functioning as a promotional and educational agency.

The primary co-operative marketing association for grain is the local co-operative elevator of which the farmers are members. After the grain has been harvested and threshed, the former delivers it to the local elevator, where he may sell it immediately or ask the elevator to store it

at his expense until further notice. If he decides on the latter method of disposal of his grain, he watches the trend of the market and determines when he should sell it and instructs the elevator accordingly. The co-operative elevators have erected elevators to provide storage facilities to their members. Forced by competition, the local elevators generally buy the grain outright from members as well as non-members. On sale by the member, the grain is despatched to the terminal association which sells it on a commission basis. The terminal association is a federation of local elevators and it is generally located in a market centre. The largest of the terminal associations is the Farmers' Union Grain Terminal Association with headquarters at St. Paul in Minnesota. It has a membership of 500 local co-operative elevators situated in five States. In 1949 there were about 2200 local elevators with a storage capacity of 81 million bushels. They had 792,000 farmers and did business to the tune of 1953 million dollars. The local and terminal associations have undertaken the supply of seeds, feeds and fertilizers to their members. Those handling rice have rice mills. The terminal associations are united in the national association, the National Federation of Grain Co-operatives, Chicago, which is concerned with export markets and for this purpose it maintains agents at such markets. It keeps the local and terminal associations informed of market conditions regularly.

The co-operatives dealing in cotton and oil products vary in size, some operating within a community and some operating over an entire State. In addition to marketing activity many societies have undertaken productive, processing and supply activities. They own gins for separating lint from cotton seeds and oil mills for soya-bean. Some societies have established cotton compressors. Societies are generally concerned with producing and distributing pure and good quality seeds of high strains. Larger societies own warehouses and fertilizer plants. In 1949-50 there were 532 co-operative marketing associations with 354,000 members and they had a business turnover of 392 million dollars. They handled about 15 per cent of the cotton crop of the U. S. The most prominent society is the Staple Cotton

Co-operative association of Greenwood, Mississipi which handled 384,000 bales of cotton in 1942. There are 600 co-operative gins and 25 cotton seed and soya-bean oil mills. The societies have their own national association, the American Cotton Co-operative Association, which is a federal organisation concerned more with educational and promotional activities than economic functions. The Farm Bureau which is the farmers' general organisation wields considerable influence over cotton growers and has a strong hand in determining policies relating to cotton.

A cotton grower may either (1) deliver his produce to the co-operative and receive immediate cash, (2) deliver cotton, receive a receipt from the co-operative and sell it when the market is favourable or (3) pool the cotton with other growers and receive the pool price. Farmers who need immediate cash for meeting their expenses and obligations prefer the first method. The farmer is given the approximate market value of his cotton at the time of delivery. In determining this value, the co-operative takes into consideration the price at which it can sell the cotton less estimated operating expenses and deductions for reserves. In addition, deductions are made also for hedging, insurance and warehouse charges which are normally incurred by any agency. On receipt of cotton under this method, the co-operative hedges by selling future contracts covering an equivalent quantity of cotton in order to avoid the risk of price decline. ("Hedging" is a method by which dealers protect themselves against market fluctuations. Some time elapses before the cotton can be sold and during this period the market price of cotton may go above or below the price which the dealer has paid for the cotton. There is a certain amount of uncertainty and risk. The dealer, therefore, sells a future, *i.e.*, he sells another lot of cotton of the same quantity and at the same price as the lot he has bought. But it is sold for delivery at a future date, the date when he expects the cotton bought by him to be sold. This sale is purely a paper transaction. When the due date comes, the sale is effected and if on this date, the price has gone down, he loses in the transation. But he takes advantage of the low price, buys cotton at the low

current price and sells it at the contract price. Thus the loss is averted. If the price of cotton has gone up, he will lose on his contract but will make a profit on the cotton bought by him. There are professional speculators who deal in these futures.) The co-operative then sends the cotton to a warehouse where it is graded and assembled with other cotton in even running lots for sale throughout the season. When the cotton is sold, the futures are closed and the transaction is terminated. At the end of the season the member receives patronage dividend according to the number of bales delivered. In the second method, the identity of each farmer's produce is maintained and the co-operative sells them at the terminal market, at the cost and risk of the member, as an agent for a commission. Preliminary advance is made on cotton at the time of delivery. The member must, however, exercise his option to sell before 30th June of the year and the co-operative is not obliged to keep it beyond that date. The co-operative cna take "commodity loans" from the Bank for Co-operatives to enable it to make advances to members. If the price of cotton at any time falls below the advance, the co-operative has the right to call for the margin from the member concerned. The third method is pooling or mixing of the products of many members on a basis of established grades and after defraying expenses the average price is paid to the members. Most of the farmers prefer the first method.

The lowest unit in livestock marketing is the "trucking co-operative" at the local level and regional selling agency for large areas. The local co-operatives, as their very name indicates, are mere service co-operatives for transport of livestock in motor trucks to markets, which are known as concentration yards, *i.e.*, centres where animals are assembled in large numbers for marketing. Selling livestock on an auction basis in the country side is also becoming common. Owing to this direct marketing of livestock by the producers, a large number of co-operative packing plants (slaughter houses) have come into existence. There is now growing interest in co-operative locker plants which have facilities for slaughtering, meat chilling, curing and smoking, etc. Co-operative associations also join together and establish central

slaughtering and processing plants. The co-operative locker plants are engaged in marketing activities as well. In 1949-50 there were about 300 locker plants. There were 687 co-operative associations in all with 1,037,000 members with a business turnover of 1318 million dollars. There were 40 large-scale co-operatives operating at 129 concentration centres. Chicago is the leading market centre for livestock. The Chicago Producers' Co-operative Association is the largest single dealer on Chicago livestock market. It sells on commission to packing houses. The National Livestock Marketing Association at Chicago is the national organisation for livestock co-operatives and it is concerned with educational and promotional activities. It also provides a variety of non-commercial services including credits to co-operatives and breeders of livestock.

In wool marketing the structure of the movement is local associations, regional and State-wide associations and the National Wool Marketing Corporation at Boston. There are over two dozen regional and State-wide associations and almost all of them sell their wool through the national association. The local associations gather the wool produced by their members and despatch it to the regional associations where it is graded, assembled and stored. The sale of wool is centralised in the national association, which has contracts with manufacturers. It has a subsidiary company, the National Wool Credit Corporation which finances regional associations for making pre-shearing advances and advances against wool received from producers. The national association functions as the clearing house of information connected with wool and a centre for research, publicity and legislation. The co-operatives handle about a quarter of the shorn wool in the U. S.

Co-operative marketing of poultry and eggs was a later development. Co-operatives came into existence only in the twenties of the present century when the farmers took up poultry production on a commercial scale. In addition to specialised poultry co-operatives, a number of other co-operatives have also been handling poultry and eggs besides their normal activities. In 1949-50 there were 131 co-operative associations with 142,000 members. They

did business to the value of 291 million dollars and handled about 10 to 12 per cent of all eggs, 40 per cent of chicken and 14 per cent of turkeys sold in the U. S. They are strongest on the Pacific coast in the States of California, Oregan and Washington. Four large associations of this region have formed a central organisation called the Pacific Egg Producers' Co-operative in New York city so as to have direct sales in the east to which they are sending bulk of their eggs. About half the quantity of eggs handled by it are purchased by the chain store organisations. It has considerable control over supply, distribution and prices. The Washington Co-operative Egg and Poultry Association at Seatle is a centralised markteing association operating on a wide area. It has 20,000 members and operators over two dozen branch stations in almost all the principal egg producing centres of the State. The branches receive eggs and poultry and sell feed and supplies. It has nine mills for grinding and mixing feeds. It has also undertaken the processing of eggs such as egg albumen, frozen eggs, powdered yolks, etc. It is a member of the Pacific Egg Producers' Co-operative. Recently co-operative hatcheries have been organised.

Co-operatives for marketing of fruits and vegetables are the most widely distributed of all types of co-operatives. They are to be seen almost in every State. Those in the western States, particularly in California have acquired world-wide reputation for their citrus fruits. They handle not only cirtus fruits but other delicious fruits like apples, cranberries, etc., and vegetables like potatoes. In the beginning they were concerned with grading, packing and shipping of fruits to markets. Later they turned their attention to marketing their products in central markets. They have played a great part in establishing definite grades and standards as well as uniform packings. Co-operatives on the Pacific coast are large-scale organisations of the centralised or federated type. In view of the large volume of the crop handled by them, they occupy a very strong position in the markets. The co-operatives in the eastern States which deal in soft fruits are scattered and are of small size. Many societies have developed processing

activities such as canning, freezing, dehydrating, etc. Over one hundred canning plants are owned by co-operatives. Like marketing co-operatives for other commodities, they deal in fertilizers, insecticides and other supplies. In 1949-50, there were 922 co-operatives with 175,000 members and a business turnover of the value of 784 million dollars. The California Fruit Growers' Exchange is one of the largest federated type of marketing co-operative. With its headquarters at Los Angeles, it has about 14,000 growers as members of 200 autonomous local packing associations. The local associations have formed 26 district exchanges which are also autonomous and members of the central exchange. The central exchange markets about 75 per cent of the output of grapes and oranges of the States of California and Arizona and about 90 per cent of lemons. It deals with wholesale dealers only with whom it has established cordial relationship. It has 57 district offices in the principal markets of the U. S. and Canada. Nearly half its sales is by auction in major market centres and the other half goes to about 4,500 wholesalers in about 800 cities and towns. It has its own traffic department which fixes the routes for its vehicles and arranges distribution in such a way as to avoid gluts or short supply in any centre. Throughout the country it has its paid sales agents with whom it is in daily or weekly commnication regarding supplies, diversion of supplies to other centres, etc. By this means it is in touch with the market every day and communicates market trends to all its associations and agents. The local associations do the grading and packing, the district exchanges the marketing and the central exchange determines policies and supplies information regarding the demand at the several markets. Much of the selling by the district exchanges is at the instruction of the central exchange. The central exchange creates a demand for the fruits by a wise system of advertising. It has done much for standardisation of the fruits. It has established special brands like Sunkist for oranges, Sunsweet for prunes and Sunmaid for raisins. It has dispensed with unnecessary middlemen in the trade and introduced many innovations like refrigerator cars,

scientific grading, packing and shipping, etc. The Californian Walnut Growers' Association handles about 90 per cent of the crop grown in the State. It has also introduced special brands like Diamond, Emerald and Suntand for its products and established a wide market for them.

There are also separate marketing co-operatives for potato, tobacco, honey, etc.

General features of marketing associations:—No other branch of agricultural co-operation has developed so much as marketing. Fruit marketing co-operatives have made remarkable progress, though those for dairy products account for a larger volume of business. Commodity marketing is characteristic of all American Co-operatives. They attend to the marketing of a single commodity or of closely allied commodities and this system has enabled them to do marketing intelligently and efficiently. They however serve their members in different ways such as buying supplies appropriate to the commodity handled such as fertilizers, feeds, fuel, fencing materials, etc. In fact there has been a certain amount of overlapping of functions of the marketing and purchasing associations. Marketing associations have undertaken supplies also and purchasing associations have undertaken marketing also in addition to their normal activities. Marketing co-operatives cover large areas either as federal or centralised associations and are non-local in character. The local associations have very little initiative, as decisions on all important matters are taken by the federal or centralised institution. A few marketing co-operatives obtain marketing agreement from their members so as to ensure adequate volume of produce and the laws in many States permit such agreements being taken. They do not generally make outright purchases and then sell but act only as agents of members for a commission. As they do not undertake any risk in the business as agents of members, they have no incentive to create reserves and have not built large reserves. Many of them have paid attention to research work connected with the commodities they handle and to market intelligence which they communicate to their members. Many of them have also undertaken processing activities

appropriate to the commodities handled by them such as canning of fruits, ginning of cotton, cleaning of grains, owning flour mills, packing plants for meat, cold storage lockers, etc.

Government assistance to marketing Co-operatives:— The Government have been helping the growth and development of marketing co-operatives in the following ways—

(*i*) The Department of Agriculture of the States and of the Federal Government and the State agricultural colleges have been encouraging the organisation and development of co-operative marketing among farmers.

(*ii*) In 1929 the Federal Government enacted the Agricultural Marketing Act and created the Federal Farm Board to administer this law. Among the duties of the Federal Farm Board were to promote education in the principles of co-operative marketing of farm products and to encourage and develop co-operative associations. The Government placed a revolving fund of 500 million dollars at the disposal of the Board for issuing loans to co-operative associations practically for any purpse for periods up to 20 years and at low rates of interest so that they could strengthen their position and improve agricultural marketing. Loans were issued for capital investments as well as current operations. In 1933 the functions of this Board were taken over by the newly created Farm Credit Administration.

(*iii*) The Government have provided expert research and advisory services related to marketing through the Bureau of Agricultural Economics in the Department of Agriculture and the State Agricultural Colleges.

(*iv*) With a view to unify the activities of the co-operative associations in each field, the Federal Farm Board set up, in 1929 and 1930, six national commodity marketing organisations and one service agency. These national organisations have been still working.

(*v*) Most of the States have passed special co-operative marketing laws for the incorporation of co-operative marketing associations and for defining their scope, constitution and working.

II. *Purchasing Associations.*—The purchasing associations are agricultural requirements societies concerned with the supply of farm requisites. In U. S. very often these societies are grouped under consumers' societies probably because many of them have taken up the supply of groceries, household appliances and other consumer goods. It is said that only about 40 per cent of the money spent by farmers goes for strictly productive purposes and the balance of 60 per cent for supplies and services of the farm families. Though the purchasing associations came into existence earlier than the marketing associations, the latter have developed faster and acquired greater importance. In the beginning local purchasing associations were small organisations independent of and unrelated with each other. Since the twenties of the present century the trend has been for the development of an integrated organisation. A large number of local associations have joined the regional associations of a centralised or federal type. Another development is the considerable increase in the processing and manufacturing activities of the associations, as they could not always depend upon private manufacturers for supply. With the development of mechanised cultivation, the societies first undertook the distribution of oils and gasolene products and later commenced their production themselves. Therefore there are now two groups among them. One is the "feed group" in which societies' main business is in feeds, fertilizers, seeds and other farm necessaries. The other is the "oil group" in which societies mainly handle oils and gasolene products.

In the "feed group" there are four large-scale organisations, namely Eastern States Farmers' Exchange, the Grange League Farmers' Exchange (G. L. F.), Southern States Co-operative and the Farmers' Co-operative Exchange (F. C. X.). The first is a centralised institution with over 90,000 members. It owns one of the largest feed mills in the U. S. with a laboratory attached to it. It conducts sales through 40 regional warehouses in charge of paid managers and about 600 local agents majority of whom are farmers. Only a few co-operatives are local agents. The local agents are paid commission on sales. The constitution

of the G. L. F. is complex. Of the 13 directors on its board, representation at three each is given to the nominees of the farmers' general organisations, the Grange, the Dairy Men's League and the Farm Bureau. The F. C. X., which serves two States, operates through local distributing points registered as subsidiary companies and makes sales through merchants. It also functions as a wholesale societies for local co-operatives. The Southern States Co-operative has about 80,000 members and about 20,000 non-member patrons. It works on the revolving fund principle. Retail sales are made through private agents, separately registered "service stores" controlled by it and independent co-operatives.

A revolving fund in a co-operative is created as follows. The profits resulting from the business when become payable to the patrons are not distributed to them but retained in the co-operative as lendings by the members of their respective shares and they are given credits in a fund which is used for financing the business of the co-operative. When the fund becomes adequate for the purpose, it is maintained at that level by continuing to receive new contributions from current patrons each year and to the extent that new contributions increase the fund above the amount of capital required, the excess is returned to the patrons who made the earliest contributions. In that way the capital contributed to the fund in previous years is returned to the contributors in the order in which their contributions were received and without waiting for the dissolution of the co-operative. The interest of the creditors are not in any way affected. Many non-stock co-operatives have adopted this revolving capital method to overcome the difficulties of capital stock.

Most of the societies of the "oil group" were formed by the Farm Bureau and they retain a link with it still. A few of the large societies of this group are the Indiana Farm Bureau Co-operative Association, the Ohio Farm Bureau Co-operative and the Illinois Agricultural Association. The first is a federation of local co-operatives and at present each county in the Indiana State has a non-trading farm bureau and a local co-operative. The local co-operative

has two departments, *viz.*, a store and an oil and petrol filling station. Ohio farm Bureau Co-operative has almost a similar constitution except that the Farm Bureau holds 51 per cent of the shares and the individual farmers hold the balance. The Illinois Agricultural Association is an instance of the general farmers' organisation carrying on co-operative business. It functions through a number of associated companies and a central company controlled by it.

Some of these regional associations have joined a super regional body, the United Co-operatives having its headquarters at Indianapolis. This super regional body co-ordinates the work of the regional associations and does collective bargaining on behalf of its members. It is, in turn, a member of the National Co-operatives. The latter is a wholesale society serving rural and urban societies. The large "oil group" associations have their own oil wells, oil refinery plants, etc. The co-operatives own ten costly petroleum refineries in the U. S.

Many purchasing associations have adopted a consumers' ideology. They are members of the Co-operative League, a national organisation primarily concerned with the promotion of consumers' co-operation in the U. S. They are also members of the National Council of Farmer Co-operatives of which marketing associations also are members.

General features of purchasing associations:—The purchasing associations are of very large size and their constitution is complex. They therefore lack democratic control. Some of them are federal societies and some others centralised societies. They have undertaken extensive processing and manufacturing activities. They aim at complete service both on the technical and manufacturing side such as mixing fertilizers to a formula, seed testing, production on modern lines, etc. They pay attention more to quality than cheap price. Many of them work on the revolving fund principle without capital stock. They are usually concerned with both wholesale and retail business. For the latter they have as their agents farmers, private merchants and only occasionally a few co-operatives. Most of them have their own transport services.

III. *Rural Service Co-operatives.*—There are several co-operatives rendering varieties of services to the farmers. The chief among them are those that provide insurance, telephone service and electricity, irrigation and health service.

There are about 1850 mutual insurance associations and nearly half the farming families are their members. Many are concerned with fire insurance. A few have undertaken to cover other risks such as lightning, windstorm, falling aircraft. explosion, loss of livestock, automobile, accident, etc. They arcount for about 20 billion dollars of fire insurance in the U. S. The primitive assessment type of mutual insurance is common among many local associations. Instead of collecting insurance premia, they collect at first only a small service fee and when a fire occurs, the members (policy holders) are assessed pro rata to make up the amount which has to be paid as compensation to the owner of the damaged or destroyed property.

Since the establishment of the Rural Electrification Administration in 1935 there has been a rapid growth of rural electric co-operatives. When the R. E. A. began to function less than 10 per cent of the farmers had the benefit of electricity. In 1950 there were 980 R. E. A. co-operatives providing electricity to 86 per cent of the farmers. They have not only provided comfort to farm dwellings but also aided agricultural production. Farm dwellings in America are not located in villages but are scattered. Commercial companies were reluctant to undertake electrification of farm dwellings at a huge cost with a little margin of profit. The farmers themselves could not find the necessary capital for the work. The R. E. A. co-operatives have solved the problem. The R. E. A. offers 100 per cent construction cost and furnishes technical and advisory services. Loans are advanced under the Federal Rural Electrification Act not only to co-operatives but to others as well. Co-operatives however, have utilised these loans to a large extent. An electric co-operative has on an average 2,500 members and covers a radius of 25 miles. In many societies, in order to save cost, the consumers themselves read their own meters and mail the readings to the

societies. In a few societies even self-billing is reported to be in vogue. The National Rural Electric Co-operative Association, which is their national federation, functions as a promotional and educational agency. Most of the societies work on a cost basis and do not pay dividends to their members. There are also several mutual telephone companies and a few co-operative radio stations.

As regards transport services, in addition to the transport services maintained by many marketing and purchasing associations for carrying on their business, there are a few specialised societies for transport services set up by co-operatives.

Since 1945 numerous health co-operatives have been formed and they are now to be seen in 21 States. They provide medical and hospital service to farmers who were previously going to the nearest town. In 1948 there were 46 rural health co-operatives with 23,631 members.

IV. *Agricultural Credit.*—The agricultural co-operative credit system is almost a branch of the activities of the Farm Credit Administration, which was created, in 1933, by the Government to provide loans to farmers and farmers' co-operatives. There are a few farmers' credit unions on the lines of the urban credit unions and based on the Raiffeisen rural banks. They do not derive funds from the Farm Credit Administration. There are about 450 such societies scattered in 36 States. They advance loans for short periods for productive and provident purposes. Their lendings are limited to the surplus funds pooled from their members. They were mainly sponsored by the purchasing associations so that their members could pay cash for the purchases made from them. Nearly 50 per cent of their lendings are for financing purchases from purchasing societies. The volume of credit provided by them is very little when compared to that provided by the Farm Credit Administration.

The Farm Credit Adiministration is under the Department of Agriculture of the U. S. and has an independent status. It administers four seperate financial institutions, namely the Land Bank, the Intermediate Credit Bank, the

Production Credit Corporation and the Bank For Co-operatives. It has also a research and advisory department in the Co-operative Division. It is more or less a national institution concerned with all aspects of agricultural co-operation, possessing statistics regarding agricultural co-operatives and providing them advice on all matters affecting farmers.

The Federal Land Bank:—This bank, which was established in 1916, is concerned with providing long term credit to individual farmers. It functions through 12 regional banks and about 1,200 local subsidiary associations called the National Farm Loan Associations. Farmers who require long term credit become members of these associations by taking shares to the extent of 5 per cent of the loan they need. The shares are repayable when the farmers discharge their loans, if they so desire. The local association gets funds from the regional bank in which it invests in shares to the extent of 5 per cent of its borrowings from the regional bank. The local associations are managed by the borrower-members through an elected board of directors. Loans are given only on the first mortgage of the property up to 65 per cent of its normal agricultural value and for a period up to 30 years. The maximum amount of loan admisible to a member is restricted to 100,000 dollars. The rate of interest on the loans does not exceed one per cent above the Federal Land Bank bond rate subject to a maximum of 6 per cent. The present rate is 4 per cent. A loan committee of the association appraises the property belonging to the applicant for loan. If the committee approves the loan, it is considered by the board of directors of the association and recommended to the regional bank. The regional bank deputes an appraiser (Government staff) who inspects the property and makes his recommendation. The regional bank approves the loan ,only if it is recommended by the appraiser. Loans to members of the local association must in all cases be approved by the regional bank. The regional bank with its Government staff exercises a rigid control over the loan associations. The loan associations also act as local

supervising agencies for Land Bank Commissioner's loans which are advanced on second mortgage also.

The original capital of the Federal Land Bank was provided by Government in the shape of shares bearing no interest. It obtains further funds by the sale of its bonds and debentures and by way of short term loans from commercial banks and the Federal Farm Mortgage Corporation. The federal land bank system of credit is not co-operative, but there is no other alternative system which can make cheaper loans to farmers.

The Intermediate Credit Bank:—This was founded in 1923. It is now rediscounting short term loans of co-operatives. It is also functioning through 12 regional banks which do not carry on general banking business or lend to individual farmers.

The Production Credit Corporation:—This was established in 1933. It functions through 12 regional associations and a number of local associations. The local associations are similar to the national farm loan associations. The Corporation is concerned with short term loans only. Loans are made only to farmers and not to co-operatives. They are made on the authority of loan committees of the local production credit associations and are disbursed without any further approval by the regional associations. In 1950 there were 502 local production credit associations.

The Bank For Co-operatives:—This was also founded in 1933. It has also 12 regional banks. As loans are made only to farmers' co-operatives and not to individual farmers, there are no local associations. It took over the loans made to co-operative stabilisation corporations under the Federal Farm Board. The borrowing co-operatives take shares in the regional banks in proportion to their borrowings, i.e., at the rate of 100 dollars for every 2,000 dollars or fraction thereof of operating loans (other than commodity loans or facility loans) obtained. In the case of commodity loans the share capital which borrowing co-operatives must invest in the banks is prescribed by the Governor of the Farm Credit Administration. It is 100 dollars share capital for every 10,000 dollars or fraction

thereof of the loan. The holding of shares in the regional banks gives the co-operatives certain voting rights in the regional banks. As no single loan may exceed 10 per cent of a bank's total resources, the larger borrower often draws in part on the Central Bank For Co-operatives in Washington D. C. The banks make the following kinds of loans, namely "commodity loans" secured on farm products or supplies, "operating loans" secured on real estate or equipment and "facility loan" for capital investments such as the acquisition of land or buildings. Commodity loans and operating loans are for short term. Facility loans are made for periods up to twenty years. The rates of interest on the three kinds of loans vary. The commodity loans carry the lowest rate and facility loans a higher rate, the difference in rates being usually one per cent. The central bank and the regional banks call for full financial particulars of the co-operatives applying for loans including an audited balance sheet and make a thorough scrutiny and investigation before a loan is sanctioned. Sometimes an investigator is sent to new applicant co-operatives to report on their working in detail. The material gathered about co-operatives by the central bank and regional banks provides useful statistical information about co-operatives to the Farm Credit Administration. The borrowing co-operatives nominate three of the seven directors of the central bank and elect one director of each Farm Credit Administration's district board of directors. In 1950 the banks made loans amounting to 373 million dollars to co-operatives and the total amount of loans outstanding against co-operatives was 931 million dollars. Nearly two-thirds of the loans were operating loans.

The regional banks of the four cenrtal banking institutions are located in one building at each regional centre and they are in touch with one another through a Credit Council consisting of representatives elected by the Federal Land Bank, the Production Credit Corporation, the Production Credit Association and the Bank For Co-operatives, three Governemnt nominees and one appointment by Government from nominees of the institutions.

Non-agricultural or Urban Co-operation:—

I. *Consumers' societies.*—The progress of non-agricultural co-operation or urban co-operation in the U. S. is relatively less marked. Urban co-operation made its appearance about the middle of last century in the form of consumers' stores. In 1844 a "buying club" was organised by a tailor in Boston. During the following year a store was established by the members of the buying club. Later, the New England Association of Mechanics and Workingmen organised the Workingmen Protective Union which by 1852 had 403 banches. In 1853 the American Protective Union was established and it soon developed 350 banches. Both these organisations failed, as they sold at cost, allowed credit and their management was bad. Then there were some sporadic attempts and it was not until after the first World War that the consumers' movement began to develop. The slow growth is attributed to several factors. One is that the United States has a mixed population, of different races, customs and manners and there is not that homogenity found in the European countries. Secondly, in a new country, people do not remain in one place for long to acquire neighbourhood relationship. Thirdly, the keen competition among private traders and shop-keepers has kept prices low and the people are satisfied with the service and the immediate benefit rather than the deferred benefit which co-operation offers. There are, however, today many strong retail stores and wholesale stores. Correct statistics about the consumers' movement are, however, lacking.

Retail Stores:—A unique type of retail stores known as the chain type of retail stores has been developed. It is a centralised institution controlling a number of retail stores. Such stores are only a few. Some societies deal in general merchandise and some are specialised in character or serve a special group. An example of the former is one distributing milk and an example of the latter is a labour sponsored co-operative. The bigger retail societies have several departments and petrol filling stations. Generally stores are organised on racial or occupational homogenity. The consumers' movement is usually the

centre of the urban co-operative movement. One characteristic feature of the retail stores is the large volume of business on what are called "commission contracts." This business occupies nearly 50 per cent of the total volume of business in most stores and it is described as their life-blood. Under this system, the retail stores enters into agreements with established private retailers for providing its members with goods and services which it cannot provide directly. The private retailers are to provide the members of the stores such services and goods as dry cleaning, coal, clothing, milk delivery, etc., and remit to the co-operative stores an agreed percentage of the price of goods purchased by members, the percentage varying from 5 to 30 according to the nature of goods. So far as the members are concerned they are given patronage dividend on such business too. Though this business is not purely co-operative, it is argued that it helps the stores to provide full service to its members by arranging the supply of goods and services which it cannot supply directly and it is helpful to members to reduce costs. At the same time the co-operative stores helps the private retailers to increase their business and in the long run this practice will be suicidal to the stores. Many stores sell goods at cost plus a margin of profit sufficient to cover their overhead expenses, etc.

A new body known as the Council For Co-operative Development has been established for the purpose of developing consumers' co-operation as widely as possible among labour groups. The labour unions which are taking increasing interest in the promotion of consumers' stores among workingmen are represented in this C. C. D. It is financed by the Edward A. Filene Goodwill Fund of Boston. In Chicago it has sponsored a new venture known as the Chicago Consumers' Co-operative whose object is to establish and operate a chain of retail stores with central management and local ownership and patronage. A new line of approach is now being taken for the organisation of co-operative stores in industrial areas. In areas where stores are to be started, a system of sales through what are called "food fairs" are conducted. Grocery, consumer goods and other domestic necessaries are taken to the

areas in large quantities from a wholesale co-operative and sold to the public on an appointed day or days of the week. Such sales are conducted from the motor truck itself or at some public place. The sales are made at prices adequate enough to ensure safety and patronage dividend. After this venture proves successful, steps are taken to open a permanent stores and enlist members.

Wholesale stores:—A number of wholesale stores handling groceries and a variety of other goods serve the local stores and most of the local stores are affiliated to them. Of these, the largest is the Central Co-operative Wholesale of Superior, Wisconsin, which is a federation of 120 stores. The value of a share is 50 dollars and an affiliated society has voice in the affairs of the wholesale in proportion to the shares held by it. Each member society has one vote by virtue of membership and in addition one additional vote for each 50 of its individual members, if it has a corresponding number of shares in the wholesale. The board of directors are elected out of the delegates of retail societies at the general meeting. Most wholesale stores handle not only groceries and consumer goods but also oils, greases, gasolene, tyres, batteries, automobile accessaries, etc. The sales are usually for cash. Non-member co-operatives too can make purchases but the patronage dividends due to them are retained till a share is built up. They do not have extensive processing and productive activities like the English C. W. S. Some of the wholesales own coffee roasting plant and bakery. Paints are one of the few things manufactured by them. Generally such articles as soaps, refrigerators, washing machines, radios, stoves, etc., are produced by private companies under the direction of the National Co-operatives and sold with co-operative brand. As wholesales cover a wide area and as more retail societies are formed in outlying areas, branches are opened to facilitate quick supply of goods to affiliated societies.

Super Wholesale and National Wholesale:—Mention has been made under "Purchasing Associations" that some of the associations have joined a super regional body,

the United Co-operatives. This organisation was first brought into being in 1930 by the Indiana Farm Bureau Co-operative Association, the Ohio Farm Bureau Co-operative Association and the Michigan Farm Bureau Services for joint action in the distribution of Farm Bureau oils. It was then known as Farm Bureau Oil Company. Later in 1936, its name was changed into United Co-operatives. In addition to oil distribution it handled agricultural hardware, electrical appliances, tyres, machinery, etc., and became a super wholesale co-operative. It is a member of the National Co-operatives which was created in 1933 by the agricultural purchasing associations and consumers' co-operative wholesales for pooling their purchases. It is now the national wholesale organisation, with headquarters at Chicago, for the agricultural purchasing associations and the consumers' wholesale societies. It controls the use of the "co-op" brand. From the beginning it has been giving its strong support to the Co-operative League, which is a national organisation promoting co-operation, particularly consumers' co-operation.

II. *Service Co-operatives.*—Among the co-operative services may be mentioned co-operative housing, co-operative restaurants and boarding houses, co-operative health, co-operative burial associations and co-operative insurance.

The housing societies are mostly of the apartment type, that is providing dwelling apartments for a large number of families. In 1950 there were 160 societies with 24,253 members and holding 10,397 acres of land. They have built 22,000 dwelling units. Two of the largest societies are those sponsored by the Amalgamated Clothing Workers of New York city, namely the Amalgamated Housing Corporation which houses 685 families and the Amalgamated Dwellings which houses 235 families. They operate their own grocery store, milk delivery, laundry service, electric power plant, etc. The Federal Housing Administration of the Government is interested in the promotion of co-operative housing associations.

There are many co-operative restaurants and boarding houses. The outstanding one is the Consumers' Co-operative Services of New York. It has been in existence for over

30 years now. It has over 5,000 members and operates eleven cafeterias in New York city. It has opened two food stores which sell meat, frozen foods, bakery products, fruits, vegetables, etc. About 200 colleges are having about 320 college co-operatives of different kinds organised to serve students attending colleges. They serve over a lakh of students. Book-stores lead the various types of business. There are also co-operative cafeterias, boarding co-operatives, etc., for students. The Students' Co-operative Association in the Washington University has a central kitchen, furniture and other equipment valued over 13,000 dollars and serves about 400 students. The students' co-operatives have their own national organisation, the National Committee on College Co-operatives at Chicago.

Under "Agricultural Co-operation" we have made mention of health co-operatives in rural areas. There are health co-operatives for the urban population also. Co-operative burial associations aim at reducing the funeral costs by poviding all funeral requirements whenever there is any death in the members' families. The largest burial association is in Minnesota with about 1,200 members. In addition to the farmers' mutual fire insurance associations, there are co-operative insurance companies for life, automobile and various other kinds of insurance and they are important as providers of funds for the urban consumers' societies. There are about a dozen such companies covering a State or a region.

III. *Credit Unions.*—A credit union is a co-operative credit society organised for a group of people residing in an area or belonging to same occupation, etc., in accordance with the provisions of the State laws or under the Federal Credit Union Act, 1934. The credit union movement began with the enactment of a law by the Massachusetts State in 1909, but it was not until the depression of the thirties did the movement develop rapidly. Though there are credit unions in the country side, only in urban areas they have developed rapidly and made marked progress. The Credit Union Section of the Farm Credit Administration assists the organisation and development of credit unions among rural and urban groups alike. It encourages them to utilise

credit union facilities for purchases from consumers' co-operatives. There are now credit union laws in all States. The Credit Union National Extension Bureau created in 1921 and financed to the extent of one million dollars by Mr. Filene has also done much for the spread of the credit union movement. In 1934 this bureau was replaced by the Credit Union National Association composed of State Credit Union Leagues. Its central office is at Madison in Wisconsin and is maintained by contributions from credit unions. There are now about 10,000 credit unions with over 3 million members and accumulated savings of more than 500 million dollars. Credit unions and commercial banks get along quite amicably. The former generally cater to the short term credit needs of the people in the low income groups whom the latter do not serve. As has been mentioned above, in a credit union, the members have a common bond of association or occupation. They are usually employees of a single employer such as workers in an office, store, manufacturing company, railway or Government. The Postal Credit Union of the Federal Postal Employees is an outstanding example of a credit union for a group of employees. In some cases the common bond consists of membership in a church, a labour union or a co-operative or merely residence in a locality. Religious bodies and churches have used credit unions extensively. About 500 credit unions have been formed among members of local churches, mostly Catholic.

A credit union is a pure type of co-operative institution. Every member must take at least one share of the value of 5 dollars which can be paid in monthly instalments. Loans are granted to members for provident and productive purposes from the share capital and deposits of members. A credit union never borrows from outside. It usually works at the places of employment of its members and has the co-operation of its members' employers for its successful working. It is managed by a board of directors elected by its members at a general meeting. In addition to the board, there are a credit committee usually consisting of three members to sanction loans and an auditing committee also of three members to do the audit of its accounts. The

credit unions are subject to an annual audit by Government staff.

Co-operative Promotional and Educational Agencies:— Apart from the farmers' general organisations, the Farm Credit Administration and the State agricultural colleges, the folowing national co-operative organisations are concerned with co-operative education and promotion of co-operation.

The Co-operative League is the oldest of the national promotional organisations. It was founded in 1916. It is a federation of co-operatives. From the beginning it has been fostering urban co-operation. It has a consumer outlook. Many of the regional purchasing associations and wholesale co-operative stores are its members. It has done much to make farmers consumer-minded and their purchasing associations to adopt a consumers's ideology. It has also done much for the closer association of the purchasing associations and consumers' co-operatives. It has its central office at Chicago and a branch offices at New York and Washington. There are now district leagues and regional leagues. It is a member of the International Co-operative Alliance. It has estabished the Rochdale Institute which provides training of co-operative employees.

The American Institute of Co-operation was founded in 1925. It is in the hands of a trust. It is purely concerned with education and improving public understanding of agricultural co-operation. It holds annual sessions when all problems relating to co-operation are discussed and the proceedings of the sessions are published. It also publishes from time to time several pamphlets on current problems relating to co-operation. In 1951, about 1,500 co-operative associations were its members.

The National Co-operative Council was established in 1929 as a federation of co-operative organisations. Its headquarters are in Washington, D. C. It has a producer outlook. The farmers' marketing and purchasing associations are its members. At present it has 111 member organisations representing about 5,000 local co-operatives. It seeks to promote farmers' co-operatives and protect their

interests. Even as the Co-operative League is the spokesman of consumers' co-operation, the National Co-operative Council is the spokesman of farmers' co-operatives. It is also known as the National Council of Farmer Co-operatives. There are similar State councils in 32 States.

Co-operative Law:—It is not obligatory for co-operatives to be incorporated under the laws. They can carry on as un-incorporated bodies. All States have enabling legislation permitting the incorporation of co-operatives as non-profit associations. All States have separate Co-operative Marketing Acts, almost unifom, and agricultural marketing and purchasing associations are incorporated under these laws. All States and the Federal Government have separate laws for co-operative credit unions and credit unions are incorporated under either the State law or the Feredal law. There is no Federal law for the incorporation of other types of co-operatives.

In the case of credit unions, the audit is done by the Government Staff. The State co-operative marketing laws with the exception of those of Minnesota have not prescribed a compulsory audit. However, co-operatives which want financial accommodation from the Central Bank for Co-operatives or its regional banks must have to get its accounts audited and send an audited balance sheet along with the application for loan. *Miss Margaret Digby says—"a strong objection exists to placing the details of co-operative business operations in the hands of the public officials of States or even of the members of co-operative societies."

A co-operative association can get itself incoporated as a non-profit association with or without capital stock. A non-stock association should specify in its articles of association the "property rights of members." Membership in it is neither transferrable nor assignable.

General Features of Co-operation in the U. S.:—Co-operation has developed faster and more extensively among farmers than among urban population. The co-operative movement is therefore predominantly a farmers' movement. The farmers' co-operative marketing societies lead all other

* Year Book of Agricultural Co-operation, 1940.

types of co-operatives both in number and business. Each society is concerned with a single commodity or closely allied commodities. Most co-operatives, whether marketing or purchasing, are to some extent centralised or federal and non-local in character. The principal organisation which takes decisive action usually covers a State or several States. In other words, while most co-operatives have done well economically, they have not done so democratically. The large size of the co-operatives makes democratic control difficult. But their large size and large-scale undertakings give them advantages of bargaining strength, efficiency and economy. There is overlapping of functions of marketing associations and purchasing associations. The former have undertaken the distribution of farm supplies to their members and the latter, to some extent, do the marketing of farm products. Both of them have undertaken extensive processing and manufacturing activities. The purchasing associations, in addition to the supply of farm requisites, have undertaken the distribution of household necessaries. They have adopted the consumer's ideology and are united with the consumers' societies in the United Co-operatives, the National Co-operatives and the Co-operative League in which they predominate. Co-operatives pay greater attention to business aspect than to co-operative principles. They deal with non-members freely. The purchasing associations have employed a number of farmers and private merchants for retail sales. The marketing societies, after a certain stage, look up to the middlemen in private trade for the sale of their products. The consumers' stores have a system of "commission contracts" with private retailers and such business constitutes their life-blood, as it is nearly half of their total business. The farmers' co-operatives have a close link with the farmers' general organisations. Some of the latter are the members of the former. Some co-operatives have been established by farmers' general organisations and are controlled by them. Many of them have not shed their political leanings to the general organisations of their members.

The movement has intimate alliance with the Universities. The co-operatives translate the laboratory

experiments in Universities to practical application. They care more for quality than price. The movement has a high standing with the Federal and State Governments and enjoy their general financial assistance and the assistance of a high technical and advisory service. There are no strong co-operative banking institutions. The farmers' co-operatives depend upon the Banks for Co-operatives for their funds. The other co-operatives seek financial accommodation from commercial banks and co-operative insurance companies.

There is no uniform co-operative law for the several types of societies. The movement is therefore of a complex character and some of the societies, particularly large-scale organisations are not distinguishable from companies. There is no uniform system of co-operative registration or regular filing of co-operative data except in the case of credit unions. National statistics regarding co-operatives are not available. The only data available with the Farm Credit Administration relate to farmers' co-operatives which have borrowed from the Bank for Co-operatives. There is no regular and periodical audit of co-operatives except in the case of credit unions. The co-operatives generally consider details of their business operations secret and have serious objections to making them available to public officials or even to their own members.

Many co-operatives are incorporated as non-profit, non-stock associations and obtain the necessary capital by the revolving fund system. Many work at cost plus a small margin for actual working expenses or pay high patronage dividends and have not paid attention to build up strong reserves.

Why is the progress of consumers' co-operation in the urban areas relatively slow, though U.S. is a highly industrial country?:—In the chapter on Denmark we have quoted Prof. Gide as saying that consumers' co-operation is the product of urban life and that industrial districts are more favourable for the development of consumers' co-operation than agricultural co-operation, and that it thrives

better in towns than in the country side. But strangely enough, like Denmark, the farmers of U. S. grasped the co-operative idea earlier and developed faster than the urban population and consumers' co-operation is more predominant in the country side than in the towns. We have explained in the beginning of this chapter why co-operation took roots among farmers earlier and why it is predominantly a farmers' movement. We have also explained under "non-agricultural co-operation" why the progress of the consumers' movement is slow in U. S. Consumers' co-operation generally springs as a protest against the ills that prevail in private retail trade and as a solution of the distress of the worker in the towns getting low income having to pay high cost to private retailers for his domestic necessaries.

In U. S. none of the problems mentioned above exists to any large extent or at any rate they are not acute. U. S. has the most efficient and extensive retail distributive system, particularly the chain store system and the prices are usually reasonable. The private trade offers services such as credit sales, free delivery, wide variety of goods, long working days, personal attention to customers by proprietors, etc. In this connection "the commission contract" system which most co-operative stores are having with private retailers may be cited as an instance of private retailers being satisfied with a low margin of profit. They generally make up the low margin of profit by large volume of sales. Therefore, the competition of private retail trade is greater in U. S. than elsewhere. If the stores are to compete effectively with private retail trade, they must be satisfied with a low margin of profit. But most of the co-operative stores do not have adequate capital and not infrequently they carry on with borrowed funds. They will have to pay interest on the borrowed capital and must still have enough profits left to pay patronage dividends. To the Americans anything less than 5 per cent as dividend is not attractive. Moreover, they are reported to be extremely impatient and would not wait for a deferred dividend at the end of the year. Most of them look to an immediate benefit rather than a deferred benefit.

The earnings of an American worker are comparatively higher than those of European workers and perhaps they are the highest in the world, and there is not that distress to any large extent commonly found in the low income people of other countries. In recent years, there is an awakening among urban people and the labour unions have been taking considerable interest in the promotion of consumers' stores. The consumers' stores are becoming more numerous and gathering strength.

In the country side, the conditions are quiet different. Farm dwellings are not located in villages but are scattered over the country side. The keen competition of private retail trade seen in towns is practically absent in the country side. The farmers are relatively prosperous. Their cash income is considerable and their wants are many, as their standard of living is relatively high. They, therefore, make substantial cash purchases. Their purchasing associations organised primarily for providing them with farm equipment and farm requisites have taken up the distribution of household necessaries also.

CHAPTER XIII

CANADA

Introductory:—Canada is an agricultural country and agricultural co-operation occupies a prominent place in the co-operative movement of the Dominion. Three of its western provinces, namely Manitoba, Saskatchewan and Alberta are full of prairies and vast stretches of land are under wheat cultivation. Wheat is the most important crop of the Dominion and it is produced far in excess of the country's requirements. Large quantities of it are exported to European and Asian countries. The prairie area is a land of long distances and scattered settlements. This peculiar nature of the country gave the railway companies and commercial middlemen unusual power and domination over the farmers. It is resistance to domination by these interests that stimulated co-operative effort among the

farmers in the form of co-operative marketing associations which have made remarkable progress.

Co-operative Marketing Associations:—Co-operative marketing in Canada has been organised on a commodity basis. Thus there are associations for wheat, livestock, fruits and milk. In marketing the principle of pooling the agricultural products for sale has been adopted. There are wheat pools, livestock pools, fruit pools and milk pools. The term "pool" is used in Canada to denote a co-operative marketing association. The pools generally obtain marketing contracts from their members agreeing to sell their grains, etc., through them. There are laws legalising such marketing contracts and providing for recovery of damages from members failing to comply with the terms of the contracts. The local associations form the backbone of the movement. They generally assemble, grade and despatch the products to terminal centres which are prominent market centres for the various agricultural products. For handling each commodity there is a provincial association and the provincial institutions are united in inter-provincial or national organisations, such as the United Grain Growers, the Canadian Livestock Co-operatives (Maritimes), the Canadian Poultry Pool and the Canadian Co-operative Wool Growers. These inter-provincial or national associations are sales organisations for the local and provincial associations and they have provided facilities for marketing the products at terminal centres which are generally the principal export markets of the Dominion.

A pool is a non-capital association operating at cost and financed by deductions from proceeds of products when sold. It handles in bulk and until it has a guaranteed volume based on a legally enforceable contract, it does not commence business. The members are paid the average price for the commodity over the marketing period and generally there are several average prices according to grades. The payments to members are made in instalments. An initial payment is made immediately on delivery of the product and further payments, interim and final, are made as the products are sold. The pools do not have the system of hedging, as they and the farmers are one and the

same, as they operate at cost on behalf of the farmers and as they do not therefore have the need to hedge. Through them the farmers seek to carry their own risks, secure a large share of the price for themselves and take the speculative element out of the trade.

Wheat Pools:—There are four wheat marketing co-operatives in the western prairie provinces of Manitoba, Saskatchewan and Alberta. The Manitoba, Saskatchewan and Alberta Pools operate within their respective provinces and the United Grain Growers operates in all the three provinces. The Canadian Co-operative Wheat Producers is the central organisation of the three provincial pools. The Manitoba Wheat Pool is a federation of 199 co-operative elevator associations which operate 212 elevators with 25,298 members. The other two Pools in Alberta and Saskatchewan own country elevators and have a direct membership of the farmers. The country elevators are managed by paid agents. All the three provincial Pools had, in 1950, 232,692 members and 1887 country elevators with a capacity of over 108 million bushels (a bushel is 1.28 cubic feet). They own and operate nine terminal elevators with a storage capacity of 38 million bushels. They also own five processing plants and four livestock yards. The elevators were built with the help of advances from the provincial Governments.

To have a knowledge of the working of a wheat pool it is necessary to know the origin and history of the pool system of marketing. Before the first World War the farmer-owned elevators bought and sold wheat through the Winnipeg Grain Exchange with its system of hedging and futures. During the war this trade system was suspended and wheat was marketed through an export Commission at fixed prices. In the post-war period, the Dominion Wheat Board was established to take over the place of the export Commission. The Board marketed the 1919 crop successfully, but was later discontinued. In the following years, when there was a slump in the wheat market and the prices fall down, the farmers agitated in vain for the restoration of the Board. With the support of the provincial Governments, they next attempted at contract

pooling which has been explained in the previous paragraph. Wheat was received from the farmers, cleaned, graded and held in co-operative elevators till it could be moved gradually on to the market lest the release of a large quantity immediately after harvest should tend to lower its price. An initial payment at a percentage of the value of the wheat was paid to members as an advance and subsequent payments as it was sold during the year. The elevators raised the necessary funds, for payment of advances, on the security of the grain in their custody, from banks. The pools established a central selling agency, the Canadian Co-operative Wheat Producers. It had its head office at Winnipeg and branch office at Vancouver and engaged in direct marketing overseas by opening offices at London and on the continent. It sought to bypass the Winnipeg and Chicago Grain Exchanges. In the first 5-year contract with the members, the three pools handled about half the wheat crop during the five years 1924 to 1928. The next 5-year contract was signed by the members and as usual the pools made advances to their members for the 1929 crop brought to the elevators. In October 1929 depression set in and the pr'ces were falling rapidly. The pools were caught with heavy stocks on hand . The advances paid to members on the wheat delivered by them exceeded the value of the wheat and there was a heavy over-payment. In order to avoid a catastrophe, the provincial Governments intervened and guaranteed their debt to the banks. The pooling system was immediately given up and the centraal selling agency was used as a stabilisation agency to protect wheat producers. The members were released from their 5-year contract. In 1935, the Dominion Government established the National Wheat Board, when there was an upward trend in prices, and instructed the Board to arrange for speedy sale of the grain. The provincial Governments discharged the liability of the pools to the banks by the issue of debentures. The pools agreed to repay the Governments in a period of ten years. By 1949 they discharged the debt in full.

A marketing board is generally established under a separate Act for a certain agricultural product and the

producers of that product are compelled under the Act to sell their product only to or through the board. The composition of the board varies in different countries. Usually it consists of representatives of producers elected by them. Sometimes the distributors also are included with a neutral chairman appointed by Government. A board usually deals with only one product and its by-products. It pays an advance to the producers at a certain percentage of the value of their product when it is delivered to the board and the balance as and when it is sold.

The Canadian Wheat Board, in the beginning, did not take delivery of wheat from the growers. It announced a guaranteed price and took delivery of wheat only in the event of the market price falling below that guaranteed price. It took no deliveries of the 1936 or 1937 crop, as the price of wheat did not fall below the guaranteed price. In August 1938 the price fell below the guaranteed price and the Board took deliveries of wheat from the growers. In 1943 the wheat futures on the Winnipeg Grain Exchange was closed and since then the Board is the sole purchaser of wheat from the producers. It pays an initial advance to the growers at a certain percentage of the value of wheat per bushel for deliveries made to it and issues "Participation certificates" to the growers. These certificates entitle a producer to a share in the equitable distribution of the surplus accruing from the sale of the crop. The co-operative elevators continue to function for the Board. They are paid storage charges on wheat delivered for the Wheat Board at about 1/50th of a cent per bushel per month. The wheat is taken to a 5-year pool and payment on "participation certifiiates" would not be made until the end of the pool period. Durig the year 1946-47 the Board received from producers 335,154,160 bushels of wheat. Stock on hand on 31st July was 45,962,819 bushels. Exports which went to 75 countries amounted to 242.8 million bushels including wheat flour.

Other Pools:—The Canadian Livestock Co-operative is the central selling agency on the Winnipeg stockyards for the Manitoba, Saskatchewan and Alberta Livestock Co-operatives. It does business on a commission basis.

There are successful dairy pools in the provinces of Alberta and Saskatchewan. Alberta has three pools, namely the Northern, Central and Southern. The Central Pool operates 12 creameries and a condensery plant. The Southern Pool handles butter, eggs, poultry and fluid milk. The Saskathchewan Co-operative Creameries is one of the largest of its kind in the North American Continent. It consists of 31 creameries, 12 poultry-killing plants, 62 registered egg stations (other than at creamery points), seven cold storage plants, five ice-cream manufacturing units, one hatchery and 12 milk distributing units operating over 58 milk routes.

Manitoba had led the way in the marketing of eggs and poultry. The Canadian Poultry Pool incorporated under a Dominion charter acts as the central selling agency for local associations in the three prairie provinces and handles a large volume of the products for export. The Alberta Poultry Producers, Ltd., operates 62 egg grading stations and has about 30,000 members. It sends 15,000 dozen eggs a day. It operates also an egg drying plant.

The Canadian Co-operative Wool Growers having headquarters at Toronto is another national organisation operating in each province through the medium of sheep-breeders' and wool growers' association. It receives, stocks, grades and markets wool. It handles about a quarter of Canadian Wool which is an important subsidiary product in Canadian Agriculture.

Agricultural Requirements Societies:—These societies developed later than marketing societies and are comparatively less developed than the latter. The linking of consumer goods with agricultural requirements is a characteristic feature of these societies. In 1949 there were eleven co-operative wholesale societies supplying farm requirements and consumer goods at 24 centres to 1829 local co-operatives affiliated to them. They have formed the Interprovincial Co-operatives, Ltd., which co-ordinates their purchases. The English C. W. S. and the Scottish C. W. S.. are also its members. It operates a jute bag factory at Montreal. The wholesale societies have feed production plants, canning plants, etc., and own coal mines.

The Saskatchewan Federated Co-operatives owns the only oil refinery in Canada and operates a flour mill and a coal mine. The wholesale societies in the east have undertaken the marketing of farm products as well.

The Northern Canadian Seed Sales, Ltd., is the selling organisation for the Manitoba Seeds Co-operative and the Alberta and Saskatchewan Seed Growers' co-operatives. The Canadian Co-perative Implements supplies farm implements and machinery to farmers and their co-operatives. It produces some of the farm implements and machinery in its factory at Winnipeg.

Other Co-operatives:—There are numerous electricity co-operatives in Quebec and Alberta extending benefits of electric power to rural areas. Ontario province has 42 rural medical services co-operatives. It has also a co-operative "vacation camp" providing farmers rest and relaxation, on an 85-acre land on the shores of a lake, in the form of picnics, fishing, swimming, boating, etc.

Both on the eastern and western coastal provinces and especially in Quebec and Nova Scotia there are numerous fishermen's co-operative societies. The Dominion Government provide them with grants and technical assistance. They have undertaken processing activities like drying and pickling fish. In Nova Scotia there are co-operative lobster canning plants. Most of the societies supply to their members the requirements of the fishing trade such as fishing nets, petrol, etc. Some societies have their own schooners to carry the catch to the market. In 1930 the Dominion Government established the United Maritime Fishermen with an annual grant of £1000, one of its chief purposes being to help fishermen in undertaking co-operative production and marketing. It undertakes the sale of all non-perishable products, on commission, and acts as a wholesale society for the supply of requirements.

The Co-operative Life Insurance in Saskatchewan, with a Dominion charter, operates in all the provinces. It commenced business only in 1945.

The Credit Unions:—These are credit co-operatives. They first made their appearance at Levis in Quebec in 1900. Most of them are in the agricultural districts. The

members are depositors as well as borrowers. Loans are made to members out of deposits received. Credit unions do not have outside borrowings. In 1949 there were 2819 credit unions in the entire Dominion.

Education and Propaganda:—There are two national federations, *viz.*, the Co-operative Union of Canada and the "Le-Conseil Canadian de la Co-operation." Every province has a provincial co-operative union with local co-operatives as their members. The Co-operative Union of Canada is a federation of nine provincial unions representing over 900 societies. It promotes co-operation in many ways and is interested in research work. It has set up a Co-operative Development Foundation for financing research and providing text books on Co-operation. It is a member of the International Co-operative Alliance. The other national organisation similarly represents the French speaking co-operators throughout the country. The Quebec Provincial Union is affiliated to it.

Co-operative Law:—There is no co-operative law at national level. It is the concern of the provincial Governments. Co-operatives operating in more than one province are usually incorporated under a Dominion charter. In some provinces, *e. g.*, Ontario there is no co-operative law. In Ontario co-operatives are incorporated under part XII of the Companies Act. Credit unions have separate legislation in all provinces.

Eight out of ten provinces in 1949 had Government staff for supervision, organisation and promotion of co-operatives.

The Antigonish Movement:—One aspect of co-operation which has attracted the attention of several countries is the work done in Nova Scotia and associated with the St. Francis Xavier University at Antigonish. The extension department of this university organised an adult education movement in order to mobilise the people to think about their problems and find solution for them. It organised hundreds of study clubs of small groups of people, prepared pamphlets and study bulletins and distributed them in thousands. The local parish priests functioned as

co-operative leaders. The subject chosen was something of immediate and generally of economic interest to members so that the study might lead to co-operative action. There were also women's study circles and the subjects chosen for study were those of interest to women such as domestic management, marketable handicrafts, etc. The first attempts were influenced to a large extent by Danish experience in the folk high schools. The study circles began with the poor fishermen and farmers. The method was scientific and inexpensive and produced excellent results. Education preceded organisation of co-operatives for the fishermen and the farmers and they were brought to see through their own study circles that co-operatives offered the best way of escape from poverty and distress. In the case of fishermen, a beginning was made in the lobster industry. Though lobster was a high-priced delicacy of which the eastern provinces more or less enjoyed a monopoly, the fishermen owing to lack of education and organisation were being exploited. Co-operatives for marketing of lobsters proved a great success and inspired co-operatives for other purposes. Co-operative stores and credit unions followed soon and the movement spread rapidly both among fishermen and farmers.

Special features of Canadian Co-operation:—Canadian co-operation is essentially an agricultural co-operative movement. Agricultural co-operative marketing has made marked progress. The principle of pooling agricultural produce for sale, which was not quite successful in United States, has been adopted on a large scale throughout the Dominion. For wheat, the Dominion Government has established a Wheat Marketing Board which is the sole purchaser of wheat from producers. Purchasing associations supply not only farm requisites but also consumer goods. The co-operative movement in the prairie provinces evolved in their pool organisations a system of finance which dispensed with capital stock. Members were not required to subscribe share capital. The pool organisations built up elevator and commercial reserves by means of deductions from members' receipts in respect of deliveries of grain. The reserves were individualised bearing interest.

CHAPTER XIV

OTHER AMERICAN COUNTRIES

(i) Mexico:—The co-operative movement of Mexico is a workers' movement. The first co-operative society to be organised so early as 1872 was a productive society of artisans. Later consumers' stores were organised for workers. The Mexican Co-operative Societies Act of 1938 recognises co-operation as a weapon of defence serving the working classes exclusively. Its first article therefore provides that membership in co-operative societies shall be open only to working people. It recognises only two basic forms of co-operatives, namely the consumers' co-operative and the producers' co-operative. The consumers' stores deals in household necessaries and undertakes a variety of services to mèmbers. The producers' societies are in the mining and fishing industries. The two types of societies have their separate local federations and national federations. Thus there are two distinct branches of the movement.

There are no credit co-operatives. The State grants loans to co-operatives through various semi-official banking institutions. It has granted special privileges to co-operatives such as exemption from taxes, economic assistance, etc. It has a special department for suprevision of co-operatives.

Among the productive societies there are two types. One is the societies under official supervision and operating under special Government concession and the other type is societies with State participation exploiting national property and sharing the profits with Government.

In Mexico there are also collective farms known as the collective "Ejidos" about which mention has been made in VII chapter. The National Bank of Agricultural Credit, a semi-official institution, is in charge of the organisation and supervisiin of the collective Ejidos.

According to official statistics, there were in 1941, 761 consumers' stores and 1066 producers' co-operatives.

(ii) **Colombia (South America)**:—The co-operative movement of Colombia is a matter of only two decades. It developed only in 1933 after the enactment of the co-operative law in 1931. There are credit societies, consumers' stores, supply and marketing co-operatives, productive societies, housing societies and services societies. In 1941 there were in all 196 societies of which 65 were credit societies and 63 were consumers' stores.

Colombia's original contribution to the co-operative movement is the Co-operative of the Municipalities of Antioquia to which 61 of the 99 towns which constitute the district of Antioquia belong. The Government has given this co-operative charge of all public works to be carried out in those municipalities which are its members. It also assists the co-operative by the supply of several articles at prices lower than those charged to commercial undertakings.

There is a separate Department of Co-operation concerned with organisation, supervision, propaganda and education.

(iii) **Brazil**:—The co-operative movement made its appearance early this century in the form of Raiffeisen credit societies and Luzzatti people's banks. The progress was slow till 1932 when the Government recognised the importance of co-operation and gave it a place in the New Brazilian Constitutional Code. School co-operatives have been organised in all States. There are also several agricultural marketing societies and industrial productive societies. Recently the National Co-operative Credit Bank has been established to finance all types of co-operatives. There is also a national organisation to represent the movement as a whole having branches in States for advice, guidance and edueation. It is a member of the International Co-operative Alliance.

A special feature of the movement is the compoulsory co-operation imposed by Government for the organisation of co-operative fishing colonies of at least 40 families at various points along the coast. These colonies are united in the General Confederation of Brazilian Fishermen which

operates as a wholesale society for the supply of gear and administers welfare grants from the Government.

(iv) **Peru** :—The Co-operative movement may be said to have begun after the establishment of the Co-operative Institute of Peru with the object of encouraging co-operatives and training co-operators. The first co-operative law was enacted in 1941. A separate Department for Co-operation was constituted in 1942. The movement thus began very late and is slowly developing. The slow progress of the movement may be attributed to the fact that Peru which is a long strip óf country on the west coast of South America, is far remote from European countries and not in touch with modern developments and culture. The sparseness of the population is also another reason for the slow progress of the movement. As the country is essentially agricultural, co-operative movement is also essentially an agricultural co-operative movement.

(v) **Argentina** :—The movemet may be said to have begun in 1905 when a society for constructing houses for its members was established. Later a consumers' section was added to it. But it was not till 1925 ,when the co-operative law was enacted, did the movement begin to develop. The law emphasizes Rochdale principles. The consumers' movement has highly developed, particularly in the industrial towns, though there are other types of co-operatives. There are nine separate federations of different types of soiceties such as consumers' societies, electricity societies, agricultural societies, butter factories, co-operative dairies, etc. They are concerned with economic as well as social functions. Argentina being one of the wheat exporting countries, there are several co-operative elevators. But there is no influential national federation for wheat.

(vi) **Venezuela** :—The co-operative movement is of recent development. The co-operative legislation was enacted only in 1942. In recent years various types of ci-operatives have been organised.

(vii) **Chile** :—The co-operative movement began with the enactment of the first co-operative law in 1924. There

are special laws governing agricultural co-operation in view of the importance of agriculture in the economy of Chille. There are about 50 co-operatives for land settlements. A section has been created in the Chillean Land Settlement Bank to assist the establishment of co-operative settlements and supervise them.

(viii) **Bolivia**:—The movement is in its initial stages. Consumers' societies have been organised after the enactment of a special legislation for them in 1941.

(ix) **Ecuador**:—Co-operation has mainly developed among paddy growers. In 1941 there ware 60 rice growers' societies.

(x) **Uruguay**:—The movement is of recent origin and its progress is slow. A law of 1946 aims at defining co-operatives and regulating their functions. The Republican Bank allows credit to co-operatives.

(xi) **San Salvador**:—San Salvador has shown interest in rural co-operative credit.

The South American countries have shown interest in co-operation only in the last two or three decades and the movement is progressing steadily, though rather slowly. In the agrarian programmes, co-operation has been assigned an important role in Argentina, Chile and Peru. In all the Latin American States the Governments have been giving their support and encouragement to the movement. The movement in all States is the result of Government action rather than of popular pressure and there are special Government departments for guiding, advising and encouraging co-operatives.

CHAPTER XV

AFRICAN COUNTRIES

(i) **The Union of South Africa**:—The co-operative movement developed only after the passing of the co-operative societies Act, 1922. It extends to the whole union. In the beginning unlimited liability societies were greater in number than limited liability societies. But the former became unpopular and they now form a small minority. In 1934, a Commission appointed by the Government reviewed the working of the co-operative movement and made certain recommendations. A new co-operative societies Act was passed in 1939. The movement is controlled and directed by the Minister for Agriculture and Forestry and the Registrar of Co-operative Societies under whom there is a staff for inspection of societies. Trading with non-members by societies has been restricted to 50 per cent of their total turnover. Though the Act imposes no such restriction, societies are requ'red to make such a provision in their regulations. New registrations of societies and amendments of regulations are subject to the approval of the Minister so that he can direct the movement on popular lines and prevent abuses. Auditors of societies must be approved by the Registrar. Membership in an agricultural co-operative association carries an obligation on the part of the member to sell all his marketable produce through his association. Such an obligation is provided in the regulations and not in the Act. But the Act povides that the directors of the association are empowered to impose fines and penalties for any failure on the part of a member to sell his products through his association. It contains a special provision empowering the Minister to declare, on the application of a co-opeative association and after being satisfied as to certain conditions, any area to be an area where all produce produced in that area must be sold through a co-operative association whether such produce is produced by members or not. But such a declaration is made, only if 75 per cent of the producers of a product in the area producing 75 per cent of the product are members of the co-operative association.

Associations with membership over wide areas may hold a series of general meetings for the purpose of one meeting.

In each of the four provinces of the union there are numerous agricultural co-operatives and farmers' organisations (which are not co-operative organisations). Each province has its own provincial agricultural union (a non-co-operative organisation) to which most of the local co-operative societies are affiliated. The provincial unions have formed the South African Agricultural Union which protects the interests of the agricultural community in Parliament, etc. The union has a Co-operative Committee which is concerned with the promotion of co-operatives.

The Land and Agricultural Bank of South Africa established under a Land Bank Act provides both short term and long term credit facilities to co-operatives.

Agricultural co-operatives supply the agricultural requisites of the farmers. The other necessaries of the agriculturists are provided by the trading societies or consumers' societies which are more numerous and successful in the rural areas than in towns and cities. Several of the consumers' societies deal in farm requisites also. Societies, both agricultural co-operatives and consumers' societies, deal with non-members freely. They have not built reserves, as an amendment of the co-operative societies Act has discouraged the building up of reserves by them.

The main business of agricultural co-operation is marketing of agricultural produce. Though the regulations of societies compel members to deliver the produce for sale by the society, the enforcement of loyalty is said to be found difficult and co-operators therefore prefer compulsory co-operation through control boards. The Marketing Act of 1937 provides for establishment of control boards and has greatly helped the co-operative movement in so far as competition in selling has largely been eliminated in the case of controlled products, managements of societies have been spared the great responsibility of finding markets and co-operatives are regarded as the proper bodies to undertake physical handling and storing of the produce. Control

boards do not own and operate processing plants. Processing and manufacturing therefore remain the field of co-operatives. They provide the efficient machinery through which control can be worked. They act as agents of and work with the boards, which have been found a necessity.

The Registrar of Co-operative Societies exercises close control and supervision over co-operative societies.

(ii) **British Colonies in Africa** :—The British colonies are in west, east and central Africa. Nigeria, Gold Coast, Sierra. Leone and Gambia are in west Africa; Kenya, Uganda, Tanganyika, Zanzibar, Nyasaland, Basutoland, Bechuanaland, Swaziland and Southern and Northern Rhodesia are in the east and central Africa. Agriculture is the main industry of the population of the colonies. The progress of co-operation in the colonies is not even. In some of them until 1946 there was neither co-operative law nor a co-operative department and they were described as co-operative "deserts. In some colonies co-operation has progressed well among the European settlers. In Nigeria cocoa marketing on a co-operative basis has made some progress and many of the societies are entirely self-supporting and do not need funds from outside. In Swaziland, it is said that the native growers were compelled by law to sell their tobacco to a society of Europeans, but were not eligible for membership. In some of the cololnies there was legislation for European societies only *e.g.*, Kenya. In Tanganyika the co-operative law had what is known as the "Chagga Rule" laying down that if 75 per cent of the producers in an area had agreed to sell through one agent, the other 25 per cent were compelled to do the same.

Only since 1946 serious attempts have been made for the promotion of co-operation in the colonies. In that year a model co-operative ordinance was communicated to all colonical Governments by the Secretary of State for the Colonies. There is a co-operative department under a Registrar in most of the colonies now. It guides and encourages co-operative societies and is responsible for their audit, supervision and inspection. The model ordinance communicated to the colonies is based on the Indian

Co-operative Societies Act II of 1912. Several types of societies in the colonies are now gradually coming up.

(iii) **French North Africa**:—French North Africa comprises Algeria, Tunisia and Morocco. Algeria is nearly as large as India. Fertile land fit for cultifation is, however, very little and the farmers are the French and the Arabs. A new co-operative law based on the 1947 co-operative law of France has been enacted. Societies are based on limited liability with capital subscribed in proportion to the services which each member expect to receive from his society. Societies transact business mostly with members. Co-operative wineries are the oldest and well-developed. They have their own distilleries for the by-products of the wine industry. Tobacco marketing has made considerable progress. There are also marketing societies for olives, fruit, milk, etc. There are 23 regional and 213 local credit banks with over 40,000 members. The regionals act as channels for distribution of loans from the Central Agricultural Credit Bank of Algeria both to individuals and co-operatives. The Cenrtal Bank has Government finance and control. Advances to farmers are usually made on single crop in consultation with the local co-operative which markets the crop and remits the dues to the Bank. Warehousing and processing co-operatives raise loans on produce received by them in order to make a first payment to producers. There are a few consumers' societies among salaried persons in towns. Housing societies are recent developments and the Government advances loans to them. The wheat and wine societies work within the framework of the National Offices of Wheat and Wine which fix both prices and conditions for the release of the commodity to market. The Federation of Algerian Agricultural co-operation brings together all co-operatives.

The co-operative movement of Tunisia is much more recent than that of Algeria. The Mutual Agricultural Credit Bank of Tunisia is the financial centre for agricultural co-operatives. It is a co-operative organisation managed by the member-co-operatives among which are 50 local credit banks. It is concerned with long term and short term loans and obtains funds from deposits and loans from

the Bank of Algeria and Tunis and the National Agricultural Credit Bank of France. There is also a Central Bank of Artisans' and Maritime Credit, a Governmental institution lending to co-operatives for craftsmen and fishermen. Co-operatives for machinery and handicrafts have developed well. In handicrafts societies, members are advanced raw materials and patterns. The members do the work at home and return the finished products which are paid for less advance received. There is a general federation of agricultural co-operatives as in Algeria.

Morocco has a federated system of mutual insurance, but no credit banks. The Central Credit Bank, a Governmental institution makes loans both to farmers and organisations. There are co-operative storage plants for grain with a central selling union. Similarly the wine co-operatives have their own selling and exporting union. There are also a few requirements societies and marketing societies for fruits, vegetables, etc. There are many compulsory drainage and irrigation societies which are otherwise co-operative.

(iv) Egypt :—The co-operative movement of Egypt is over forty years old. There are about 2000 societies with over 800,000 members. The movement in the urban areas has developed better than in the country side and this position is attributed to the concentration of wealth and education in towns. Alexandria has over 60 consumers' societies with sales of over £ 1 million a year. Cairo has also an equal number. Every district headquarters has a stores. There are also 16 wholesale stores.

Agricultural Co-operation is controlled by the Credit Agricole which is neither a co-operative nor a commercial bank. It was founded in 1930 with a share capital of £ 1 million, half subscribed by the Government and the other by three leading commercial banks and a few individuals. The Government advanced £ 6 million at 1 per cent interest on condition that the Agricole should charge interest to co-operatives at not more than 3 per cent as against 5 per cent to others. It has guaranteed 5 per cent dividend to share holders but no maximum rate usual in

co-operatives is fixed. In 1949 the share capital was increased by £ 500,000 subscribed equally by co-operatives and Government and the name of the Bank was changed into Bank for Agricultural Co-operative Credit so as to enable it to deal with urban as well as agricultural societies. No shares have been kept available for new societies which want to join the Bank. It has 23 agencies and 85 sub-agencies and 550 granaries covering the whole country. Short term, medium term and long term loans ranging from 14 months to 20 years are granted. Agencies and sub-agencies are also permitted to grant loans up to a certain amount in each case. Recovery of loans is made by the State machinery and is very rigid.

The co-operatives are united in 40 district unions which are concerned with audit, propaganda and education. There are several multi-purpose societies, marketing societies, etc., and it is stated that their accounts are not regularly written up until a Government Inspector of the co-operative department turns up and does the work. The multi-purpose societies distribute rationed goods. The Government have employed a very large staff in the co-operative department for supervision and audit of societies.

(v) **Sudan**:—The co-operative movement is in its infancy. Sudan is a vast country very sparcely populated and the people are mostly illiterate and semi-nomad still having the tribal system.

CHAPTER XVI

AUSTRALIA AND NEW ZEALAND

(i) **Australia**:—The word "co-operation" is used very loosely in Australia. Many businesses which are not truly co-operative have adopted the word as part of their registered trade name. Some of the co-operatives are registered as companies. Though Australia is generally recognised as one of the most democratic countries, yet co-operation cannot be said to have progressed so well as in the Scandinavian countries. The Australians regard co-operation as a slow process and prefer State control as swifter and more certain method of attaining economic progress. This fact accounts for the existence of market boards for almost every agricultural product. A market board is set up under the authority of the State to control marketing of an agricultural product for the benefit of the producers. Its working is explained in XIII chapter. Market boards are concerned with the internal market. The export control is operated by the Federal Government in conjunction with the different States. Export control boards exist for wheat, butter and dried fruits. These boards are controlled by the producers who have a majority representation.

Though market boards exist and prices are controlled, agricultural co-operatives still have their own part to play. In western Australia where the movement is compact and unified, the producers' societies sell many things required by the farmers. The Westralian Farmers' Co-operative, Ltd., purchases wholesale all the requirements of local co-operatives, agricultural requirements as well as other necessaries of the farmers. It has a number of branches in the country side. The Co-operative Bulk Handiling, Ltd., has provided country elevators, receiving stations at railway sidings and terminal shipping equipment at two ports for receiving wheat produced by its farmer-members. It delivers wheat on board ships or to flour mills and handles 99½ per cent of wheat marketed in Western Australia. The Western Australia Wheat Pool functions for the Australian

Wheat Board. A number of dairy co-operatives have undertaken processing of milk. The co-operatives in the country side have undertaken productive activities like bakeries, butcheries, ice-works, engineering works, etc., either singly or with other societies. The Producers' Markets Co-operative, Ltd., conducts an agency business in the disposal of fruits, vegetables, poultry and eggs for local consumption. The South West Co-operative Dairy Farmers, Ltd., which serves a very large rural area, has about 3000 farmers as members and produces a large quantity of butter. The Co-operative Federation of Western Australia brings together all co-operatives, arbitrates disputes between societies about functions, territories, etc., and promotes friendly relations between producer and consumer.

In Queensland, co-operative dairying has progressed well. There are many co-operative sugar mills. The Poultry Farmers' Co-operative Society has its own poultry abattoirs and exports considerable quantity of dressed poultry. The Primary Producers' Co-operative Association deals in meat, wool, livestock, and other agricultural products of country co-operatives.

In New South Wales, co-operative housing has made marked progress. There is a strong wholesale society with a number of country co-operatives as members. It operates a branch in Victoria where consumers' co-operation is weak. There are also many fishermen's co-operatives.

In Victoria, co-operative dairying occupies an important place. There are general purpose societies in the country side and consumers' stores in towns. There are a few housing societies.

In South Australia, there are many fishermen's societies. There are two large consumers' stores, namely the Adelaid Co-operative Society and the Edunda Farmers' Co-operative Society. The latter operates in about 50 country towns. There are many agricultural co-operatives for diverse activities in Tasmania.

The Co-operative Federation of Australia and the Primary Producer's Co-operative Federation are institutions at the Federal level. The producers' societies of

Australia have in London the Overseas Farmers' Co-operative Federation of which the Primary Producers' Co-operative Federaton of Australia and the Federated Farmers' Co-operatve Association of South Africa are members. The Overseas Federation does business, both selling and purchasing, on a commission basis. The co-operatives handle about 80 per cent of dairy products, a large quantity of dried fruits and about 5 per cent of wood exported from Australia.

(ii) New Zealand:—New Zealand is a pastoral and dairying country. Dairy produce is her principal export. She is the world's leading exporter of butter and cheese. The dairy products are entirely controlled and handled by the State. Under the Primary Products Marketing Act of 1936, there is a separate Marketing Department under a Minister for Marketing and a Director of Marketing. In the London Market the Government have a panel of selling agents who are allotted definite quotas of exports. The Government's Marketing Department has a London agency for this purpose. It is said that State ownership and selling of dairy products ensures to producers a guaranteed price.

The dairy industry is well organised and has adopted the latest techniques. As in Denmark, considerable attention is paid to improvement of stock, feeds, etc. About 80 per cent of the dairy produce is processed co-operatively. There are many independent co-operative dairies and large centralised dairies. The New Zealand Dairy Company is a centralised organisation with a financial subsidiary and provides short term credit to the farmers. Independent co-operative dairies obtain advances from commercial banks. The co-operative dairies are registerel under the Companies Act and are therefore often referred to as co-operative companies. They are governed by the Dairy Act of 1908 and the use of the word "co-operative" is protected. The New Zealand Co-operative Dairy Company has numerous plants for butter, cheese and other milk products. It is one of the distributors in the panel in London. A number of small independent co-operative dairies have formed the National Dairy Association which

supplies the dairies with factory requisites and machinery. It is also in the panel of distributors in London. It also functions as the agent for the export department of the English C. W. S.

Co-operative pig-raising and marketing is less developed than the dairies. The Co-operative Pig Marketing Association exports both grown up pigs and young ones. It makes use of the existing proprietory plants also for processing operations, though it has a factory of its own. In co-operation with a few co-operative dairies in the Hawke's Bay area, it has formed a company for handling dairy produce in the area. There are a few independent co-operative slaughter houses also.

In the wool industry, co-operation plays a small part, as the proprietory companies are well organised and very powerful.

The New Zealand Co-operative Alliance is the Co-operative Union for New Zealand. It furthers the cause of consumers' co-operation. The New Zealand Co-operative Wholesale Society has as its members individuals and co-operative societies. The Pig Marketing Association and the National Dairy Association provided the necessary loan capital of the C. W. S. in its initial stages. The C. W. S. has opened a number of retail depots.

The New Zealand Co-operative Women's Guild deserves special mention because of its prominent part in promoting co-operaton. Its object is to organise women for (*a*) the study and practice of co-operation and other methods of social reform, (*b*) improving condition of domestic life, and (*c*) collboration with and support of the co-operative movement.

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